DOCUMENT RESUME

ED 424 938 PS 027 052

TITLE	The Children's Development Commission Act--H.R. 3637. Field Hearing before the Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises of the Committee on Banking and Financial Services. U.S. House of Representatives, One Hundred Fifth Congress, Second Session.
INSTITUTION	Congress of the U.S., Washington, DC. House Committee on Banking and Financial Services.
ISBN	ISBN-0-16057474-9
PUB DATE	1998-06-26
NOTE	76p.; Serial No. 105-67.
AVAILABLE FROM	U.S. Government Printing Office, Superintendent of Documents, Congressional Sales Office, Washington, DC 20402.
PUB TYPE	Legal/Legislative/Regulatory Materials (090)
EDRS PRICE	MF01/PC04 Plus Postage.
DESCRIPTORS	*Day Care; *Educational Finance; *Federal Legislation; *Financial Policy; Financial Support; Government Role; Hearings; *Loan Repayment
IDENTIFIERS	*Congress 105th

ABSTRACT

This document presents testimony from the June 1998 hearing on the Children's Development Act (H.R. 3637) held before the Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises. H.R. 3637 encourages the lending of resources to child care facilities by allowing a bank or lender access to a federal reinsurance program that would insure that the risk taken on by the lender would be guaranteed in some portion to be repaid from the insurance fund should the borrower default. The transcripts include statements from: (1) the assistant secretary of the Louisiana Department of Social Services; (2) the executive director of Woman's Hospital Child Care Center; (3) the program director of YMCA Istrouma Teen Learning Center; (4) the owner and president of Reynolds Academy of Preschool Learning; (5) the program manager of Partnerships in Child Care; (6) vice president of corporate affairs at Providian Financial Corporation; (7) Rep. Paul E. Kanjorski; and (8) Rep. Carolyn B. Maloney. (EV)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

PS

H.R. 3637—THE CHILDREN'S DEVELOPMENT COMMISSION ACT

U.S. DEPARTMENT OF EDUCATION
Office of Educational Research and Improvement
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)
X This document has been reproduced as received from the person or organization originating it.
☐ Minor changes have been made to improve reproduction quality.
• Points of view or opinions stated in this document do not necessarily represent official OERI position or policy.

ED 424 938

FIELD HEARING

BEFORE THE

SUBCOMMITTEE ON CAPITAL MARKETS, SECURITIES AND GOVERNMENT SPONSORED ENTERPRISES

OF THE

COMMITTEE ON BANKING AND FINANCIAL SERVICES

U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

JUNE 26, 1998

Printed for the use of the Committee on Banking and Financial Services

Serial No. 105–67

U.S. GOVERNMENT PRINTING OFFICE
49-889 CC WASHINGTON : 1998

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402
ISBN 0-16-057474-9

PS 027052

HOUSE COMMITTEE ON BANKING AND FINANCIAL SERVICES

JAMES A. LEACH, Iowa, *Chairman*
BILL McCOLLUM, Florida, *Vice Chairman*

MARGE ROUKEMA, New Jersey
DOUG K. BEREUTER, Nebraska
RICHARD H. BAKER, Louisiana
RICK LAZIO, New York
SPENCER BACHUS, Alabama
MICHAEL N. CASTLE, Delaware
PETER T. KING, New York
TOM CAMPBELL, California
EDWARD R. ROYCE, California
FRANK D. LUCAS, Oklahoma
JACK METCALF, Washington
ROBERT W. NEY, Ohio
ROBERT L. EHRLICH JR., Maryland
BOB BARR, Georgia
JON D. FOX, Pennsylvania
SUE W. KELLY, New York
RON PAUL, Texas
DAVE WELDON, Florida
JIM RYUN, Kansas
MERRILL COOK, Utah
VINCE SNOWBARGER, Kansas
BOB RILEY, Alabama
RICK HILL, Montana
PETE SESSIONS, Texas
STEVEN C. LaTOURETTE, Ohio
DONALD A. MANZULLO, Illinois
MARK FOLEY, Florida
WALTER B. JONES JR., North Carolina
BILL REDMOND, New Mexico

HENRY B. GONZALEZ, Texas
JOHN J. LaFALCE, New York
BRUCE F. VENTO, Minnesota
CHARLES E. SCHUMER, New York
BARNEY FRANK, Massachusetts
PAUL E. KANJORSKI, Pennsylvania
JOSEPH P. KENNEDY II, Massachusetts
FLOYD H. FLAKE, New York
MAXINE WATERS, California
CAROLYN B. MALONEY, New York
LUIS V. GUTIERREZ, Illinois
LUCILLE ROYBAL-ALLARD, California
THOMAS M. BARRETT, Wisconsin
NYDIA M. VELÁZQUEZ, New York
MELVIN L. WATT, North Carolina
MAURICE D. HINCHEY, New York
GARY L. ACKERMAN, New York
KEN BENTSEN, Texas
JESSE L. JACKSON JR., Illinois
CAROLYN C. KILPATRICK, Michigan
JAMES H. MALONEY, Connecticut
DARLENE HOOLEY, Oregon
JULIA M. CARSON, Indiana
ROBERT A. WEYGAND, Rhode Island
BRAD SHERMAN, California
BARBARA LEE, California
VIRGIL GOODE, Virginia

BERNARD SANDERS, Vermont

SUBCOMMITTEE ON CAPITAL MARKETS, SECURITIES AND GOVERNMENT SPONSORED ENTERPRISES

RICHARD H. BAKER, Louisiana, *Chairman*
FRANK D. LUCAS, Oklahoma, *Vice Chairman*

MERRILL COOK, Utah
VINCE SNOWBARGER, Kansas
BOB RILEY, Alabama
RICK HILL, Montana
PETE SESSIONS, Texas
RICK LAZIO, New York
SPENCER BACHUS, Alabama
PETER T. KING, New York
TOM CAMPBELL, California
EDWARD ROYCE, California
JON D. FOX, Pennsylvania
WALTER B. JONES JR., North Carolina

PAUL E. KANJORSKI, Pennsylvania
LUIS V. GUTIERREZ, Illinois
BRUCE F. VENTO, Minnesota
LUCILLE ROYBAL-ALLARD, California
THOMAS M. BARRETT, Wisconsin
GARY L. ACKERMAN, New York
NYDIA M. VELÁZQUEZ, New York
KEN BENTSEN, Texas
CAROLYN C. KILPATRICK, Michigan
JAMES H. MALONEY, Connecticut
ROBERT A. WEYGAND, Rhode Island
BRAD SHERMAN, California

CONTENTS

	Page
Hearing held on:	
June 26, 1998	1
Appendix:	
June 26, 1998	39

WITNESSES

FRIDAY, JUNE 26, 1998

Blakes, Vera, Assistant Secretary, Louisiana Department of Social Services	20
Kelso, Gail B., Executive Director, Woman's Hospital Child Care Center	8
Provenza, Charlotte S., Program Director, YMCA Istrouma Teen Learning Center	6
Reynolds, Dr. Carolyn, Owner and President, Reynolds Academy of Preschool Learning	22
Starks, Janie, Program Manager, Partnerships in Child Care	10
Wunderman, Jim, Vice President of Corporate Affairs, Providian Financial Corp.	26

APPENDIX

Prepared statements:	
Kanjorski, Hon. Paul E.	40
Maloney, Hon. Carolyn B.	42
Blakes, Vera	49
Kelso, Gail B.	45
Provenza, Charlotte S.	44
Reynolds, Dr. Carolyn	51
Starks, Janie	47
Wunderman, Jim (with attachments)	60

H.R. 3637—THE CHILDREN'S DEVELOPMENT COMMISSION ACT

FRIDAY, JUNE 26, 1998

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CAPITAL MARKETS, SECURITIES
AND GOVERNMENT SPONSORED ENTERPRISES,
COMMITTEE ON BANKING AND FINANCIAL SERVICES,
Washington, DC.

The subcommittee met, pursuant to call, at 2:30 p.m., in the Middle District Court of Louisiana, 777 Florida Street, Courtroom #3, Baton Rouge, Louisiana, Hon. Richard H. Baker, [chairman of the subcommittee], presiding.

Present: Chairman Baker; Representatives Kanjorski, and C. Maloney of New York.

Chairman BAKER. I would like to call this hearing of the House Banking Committee's Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises to order and welcome everyone who is present this afternoon to this hearing.

The principal reason for the hearing today is to receive testimony and comment with regard to House Resolution 3637, which has been introduced by Congresswoman Carolyn Maloney of New York and myself and other Members of Congress and which relates to the provision of healthcare in our State and in our Nation.

Despite the best efforts of Government throughout the years, the quality of child care continues to languish. There are often not resources available readily to the child care operator who wishes to either expand service or to improve the quality of service at an existing facility.

The concept behind H.R. 3637 is to find a mechanism to encourage the lending of resources to private and publicly operated child care facilities, enabling the bank or the lender, whoever it might be, to have access to a Federal reinsurance program, which in simple essence would insure that the risk taken on by the lender would be guaranteed in some portion to be repaid from the insurance fund should the borrowers be unable to meet their obligations.

This is not dissimilar in concept from the Small Business Lending Program that has been successful in our country where an applicant for a small business loan under the provisions of the Small Business Administration gets assistance by virtue of the fact that the fund insures the loan originated and made available by the commercial lender.

It is our expectation with a very modest Federal up-front investment in this program of $10 million nationally that the pre-

miums earned from the program would, in fact, make it self-sufficient into the future. The demand is clear; the need is clear.

Our reason for being here today is to receive comments from those within the local community as to the direction this legislation takes, to receive suggestions for other directions we might pursue, or to receive comments or concerns that are currently limiting the delivery of child care in an appropriate manner.

I feel most privileged today that I am joined by two Members of the subcommittee who have taken time from their busy schedule. And let me say to those of you who would not know, to get other Members of Congress to travel from Washington when they finally get time away from their Washington responsibilities to come to your own district is a very difficult thing to achieve, and once done, I consider to be a high compliment because district hearings are not frequent principally because of that difficulty.

The Ranking Member on the House Banking Subcommittee on Capital Markets is Congressman Paul Kanjorski from northeastern Pennsylvania who joins me here today, and it is his first venture to true south Louisiana's cuisine and to being here on a day when it is actually going to rain, which is a big deal to us, Mr. Kanjorski.

Also, I am fortunate to have Congresswoman Carolyn Maloney who comes here from New York who unfortunately last night had to fly with me out of Washington at 6:00 o'clock. And that means that we had to fly first to Cincinnati, then stop at Birmingham, and then arrive here late last night Washington time about 11:30 at night.

So she made quite an effort to get here considering the fact that most of the time she has a one-hour commute to her city of New York. That in itself gave her a little better appreciation for how hard we Louisianians fight just to be in the Congress.

So I want to express my appreciation to both of them for the courtesies they have extended and recognize Mr. Kanjorski for any opening comment he may choose to make.

Mr. KANJORSKI. Thank you, Mr. Chairman.

Mr. Chairman, I have heard you extol the virtues of Baton Rouge for many years, but until today, I have never had the opportunity to experience them first hand. I am actually delighted that we have had the opportunity to come to your district and to your State. It is beautiful. It is going to certainly give me an exposure to a part of the country that I haven't nearly experienced well enough.

All too often in Congress we will have hearings such as this, and we will hear from experts within the beltway, what we call the Washington Beltway. And it has always been my thought as I shared your role when we were in the majority on the Democratic side that it is a much more pleasant and a much greater experience for all of us in the Congress to make these efforts to come into districts like this to all our hearings, because regardless of what the people inside the beltway are always telling us, it is not what America is always feeling and what it is all about. And the opportunity to get here to Louisiana and beyond the beltway for this firsthand experience is really a wonderful experience for me.

I think it also reflects the fact that Mrs. Maloney and I are here with—we will say Richard, because this is an expression of bipartisanship, and the issue we are going to discuss and listen in the

hearing today on is really not a Democratic issue or Republican issue. It is a universal issue.

It affects so many of the American people, rich and poor, young and old, north and south, east and west, just up and down our line. I think since we are talking about the way we are going to raise and care for the future generation of America, I can't think of anything more important.

Just before getting together, we had a great opportunity to sit with the Chairman and several of the judges to have just a free, open flow discussion on how nice it is as a Member of Congress to be able to listen to the experience of other disciplines and the experience and the view, if you will, from, say, the south looking north as opposed to the north looking south.

I think we are going to get a great deal out of this hearing today, and I want to compliment the Chairman because it is through your leadership as Chairman of the Subcommittee and having Mrs. Maloney join us, although it is her piece of legislation, you are the original Republican co-sponsor of this. And then I had the great pleasure of joining you as a second co-sponsor.

I think what this hearing will offer us today and with the information we will gain on this bill, I think will move 3637 a long way toward development.

I look forward to the hearing. I certainly look forward to the experience of Louisiana hospitality, and I look forward to Mrs. Maloney's presentation, because I know she really speaks from a far greater experience, a side much closer to the responsibility of child raising.

So I congratulate Mr. Chairman for having this hearing, and it is a pleasure to be here.

[The prepared statement of Hon. Paul E. Kanjorski can be found on page 40 in the appendix.]

Chairman BAKER. Thank you, Mr. Kanjorski. I appreciate your kind remarks.

Congresswoman Carolyn Maloney.

Mrs. MALONEY. Thank you. I am just delighted to be here in Baton Rouge, Louisiana on such an important issue. And, Mr. Chairman, I would like to really publicly commend you on your commitment to this issue as well as holding this field hearing.

When we discuss an issue such as child care, we really have to go to the field and see how family life is also affected and not just be in Washington, as my colleague Paul said, in the beltway.

So I am really pleased that my colleague also from Pennsylvania, Mr. Kanjorski, is here. He is an original co-sponsor of the Kiddie Mac legislation, as well as one of the most thoughtful Members of the Banking Committee.

The realm of child care is truly changing year to year as each State implements its version of welfare reform, as more and more women are entering the work force and as more States begin to pass universal pre-K care. We need quality places for children to go. The problem is that despite the increased demand for child care slots, the market is not responding.

Our purpose here today is to find out why the private sector is not responding to the need and to ask people here in Louisiana

who work in the child care arena what problems they have encountered and where they think they need assistance.

I have been working very closely with Mr. Baker over the past few months developing the Children's Development Commission Act, which we are calling Kiddie Mac, which is focused on reducing the risk to lenders who issue loans for child care facilities.

This bill, H.R. 3637, was forged through discussions with child care providers, researchers, and the financial community. I look forward to hearing from witnesses here today to see if they have any thoughts or suggestions or ideas of ways that we could improve this legislation.

I know from my own district in New York City, the problem of child care is daunting. There was a report recently issued this year by the New York State controller who said by the year 2001 there would be a need for 61,000 children to receive care in New York City alone, and we only have the space for 33,000 of them. This is a pattern which I am sure is repeated across the country and here in Louisiana, too.

It is up to us as legislators to respond to the reality which these statistics describe now before the problem grows worse. The Kiddie Mac bill on the table here authorizes HUD to issue guarantees to private lenders for loans for the construction, rehabilitation, or long-term mortgages for child care facilities but only after they have been certified.

The newly created Children's Development Commission, or Kiddie Mac, the Commission, will make certain that the proposed loans are up to standards and are viable before they can pass muster to get the guarantee.

The Commission will also respond to one of the tremendous problems of day care providers, and that is it will provide affordable fire and liability insurance. It will also make small purpose loans for providers who need to make small changes to their facilities to bring it up to code. There will also be a foundation which will study child care in this country and come forward with further recommendations.

Kiddie Mac will facilitate the creation of more quality places for children. Combining it with other Federal and State assistance programs, it should spur construction across this country and all of our communities.

By increasing the supply of quality facilities through a loan guarantee program, two crucially important problems facing parents at all income levels will be addressed. Increasing supply will make it likely that child care will be located more closely to people's homes also.

Another issue is quality. One study of child care centers in four States found that 86 percent of centers examined provided only mediocre or poor quality services. Some child care experts have called many of the care arrangements in this country child storage as opposed to care.

Kiddie Mac will raise the quality of care in the U.S. By only giving guarantees to certified facilities, establishing national standards of quality and assisting existing centers and coming up to these standards.

I must say that as the mother of two children, one who was born exactly one hour after a city council meeting, I know firsthand the tremendous problem of balancing work and family, and I am delighted that my two colleagues are working with me and others in Congress to pass this bill.

It is really just one building block of the child care problem, but it is a very important one. And as the Chairman pointed out, it is self-sustaining. Once we start this fund, the interest will go back into a fund so that they will meet more dollars for loans and for mortgages to hand out across the country.

I served on the Chairman's subcommittee last term, and we had a series of hearings on Fannie Mae and Freddie Mac which have helped to make home ownership affordable in this country. And one of the things we looked at is, why can't we do the same thing for children, not following exactly their model, but setting a unit where ideas—sort of one-stop shopping, if you will, for child care where ideas and innovation can be centered, where there is a continuing pot of revenue that can be spent to help our children across this Nation.

So I am really delighted to be here today. I look forward to everyone's testimony, and I particularly thank my colleagues publicly, especially the Chairman, for their interest, their work, and for hosting this event today, this hearing today.

I yield back the balance of my time. It is great to be here.

[The prepared statement of Hon. Carolyn B. Maloney can be found on page 42 in the appendix.]

Chairman BAKER. Thank you, Mrs. Maloney. Thank you for your kind remarks and your presence here today.

Before calling our panel of witnesses, I would just like to make reference to one article that has appeared in the *The Washington Post* dated May 29, 1998 for the record, which was an editorial piece written and analysis of the pending legislation.

Quoting just some small aspects of that editorial comment, the writer, Judy Mann, calls the proposal an imaginative, low-cost proposal to spur private sector construction and development loans that could expand the Nation's supply of child care.

She goes on to say the idea behind all of this is the same to cure a deficiency in the marketplace, such as a lack of available credit, for instance, in either agriculture, housing, or education; that Kiddie Mac can be very cost effective in meeting a very important public need, and as such, it should make it a surefire winner.

I am very excited about the analysis and think that there is a basis from which we can work. We all understand that we are not experts in the field of child care, and so our reason for being here today with this idea and this concept is to speak and listen to those of you who are in the field and who can respond to us as to whether this proposal will, in fact, make a difference to you and to this community.

With that, let me call the first panel forward. We have with us today Charlotte Provenza, Executive Director of the YWCA Istrouma Teen Learning Center. Is Mrs. Provenza here? Please come forward.

And Gail Kelso, Executive Director of Woman's Hospital; and Janie Starks, Executive Director of Partnerships in Child Care. Please come up and have a seat.

Mrs. KELSO. I think we need to correct our titles.

Mrs. PROVENZA. I am the Program Director of the YWCA's Istrouma Teen Learning Center, not the executive director, but I would love the promotion.

Chairman BAKER. Well, we can talk.

I don't have any particular order. Unless you have time constraints, I would ask Mrs. Provenza, and let me restate the introduction. Director of the YWCA Teen Learning Center. Please welcome her and proceed at your own pace.

STATEMENT OF CHARLOTTE S. PROVENZA, PROGRAM DIRECTOR, THE YWCA ISTROUMA TEEN LEARNING CENTER

Mrs. PROVENZA. Thank you.

I am the Program Director of the YWCA's Istrouma Teen Learning Center. That is a program that is a six-agency community collaborative with the YWCA as a lead agency. We are a program that provides intensive wraparound services for teen-parent families. A part of this program is the early care and education of children, birth to three years of age.

We spent 18 months developing, designing, funding, and putting together our community program, and the child care piece is one of the most important pieces. Our goal is to assist teen parents in continuing their education and also to impact their development and their children's development through quality child care.

We are also very fortunate in that we are one of the three Early Head Start grantees in Louisiana, and that was as of April of 1998. So we are thrilled.

When we spent the 18 months of putting together this program for the very high-risk teen-parent population in East Baton Rouge Parish, we were very fortunate in that we were funded through a combination of Federal, State, local, and community funds.

Right at this point we are funded out of ten different funding sources. We received a planning grant from the Department of Social Services' Child Care Assistance Program to plan and design this program.

One of the most difficult things we had to do was to secure a facility. Quality child care is enormously expensive. It is very staff intensive. It is a costly operation if you are going to provide the ratio and curriculum and development for babies and children which is critical to their development.

I am thrilled to see this legislation because; One, the facility cost is the hardest startup cost to secure. We were very fortunate in that after several months of working within this community we were offered facility space at a nominal charge from the United Methodist Mission Center.

So what we were able to do was to put together and ask the community to partner, to help us provide the intensive services that we wanted for children and for teen parents. Facility costs, either whether it is construction or the ongoing need to renovate, expand, improve your ventilation, your lighting, your air, all of that wrapped into one is just a very expensive operation.

What was difficult for us and continues to be a challenge is to maintain, to expand, to have the type of environment that you know is best practices and will provide the best outcomes for your staff and your infants and your children.

Some other thoughts that I had on this is that if we are to take advantage of the critical years of brain development, which are birth to age three—and I know Gail and several other people can give you all the statistics—but 40 percent of children's growth and development are between those periods of years.

So if we are to provide quality care that impacts the children's future development, facilities as well as curriculum and staff development and training is crucial.

We have been very fortunate in that we have been able to piecemeal and put together, from different agencies and different funding sources and a strong volunteer component, that we can put together all the services that we need that we know are the best practices recommended to really make a difference in children's outcome.

We are an outcome-based program. We are participating in a five-to, hopefully, nine-year longitudinal study so that we can see where that baby that came to us at six weeks, how they are doing at the end of second grade.

But, back to facility, to be able to provide the resources that you want to provide, your environment is one of the most important things; that it is accessible; that it is within walking distance or—well, for teen parents, that it is located where they go to school. Whether it is a teen parent program or just any program, the accessibility issues, the affordability issues, and the quality issues are the three most important.

Another area is that if child care centers, privately owned, nonprofit, whichever, need to be accessible, that means they need to be on transportation routes or they need to be in walking distance, whether they are in school or where people are employed. Getting to child care when it is raining, when it is storming, when it is freezing, when the streets are flooded is very important also.

Another word back to facility is that having the space, the storage, all the components that you need is something that makes your program a quality program.

I think another point that I would like to bring up is that provisions in facility and also your program for children with special needs. It is enormously difficult for a private provider or a public provider or anyone to meet the needs of children with special needs, whether they are wheelchair babies or babies with a variety of disabilities.

You need special equipment. You need special facility modifications even for babies that have special needs. Space is one of the critical things for those children, and the storage of their equipment.

That is kind of it in a nutshell. That is all.

[The prepared statement of Charlotte S. Provenza can be found on page 44 in the appendix.]

Chairman BAKER. Thank you very much. We appreciate your comments and your insight, and we will proceed with the rest of

the panel and maybe come back with a question or two in just a minute.

Our next person to speak is Gail Kelso. Now, what I have here, Mrs. Kelso, is Executive Director of the Woman's Hospital Child Care Center.

STATEMENT OF GAIL B. KELSO, EXECUTIVE DIRECTOR, WOMAN'S HOSPITAL CHILD CARE CENTER

Mrs. KELSO. There you go. That is it. And actually, I have only been back at the center for the last four weeks. I did take a tour of absence, if you will, to work with child care resource and referral here in the Baton Rouge region as well as in the regions serving Lake Charles and Lafayette.

The opportunity to do child care resource and referral has just brought home what we already knew from my previous tenure as the director at the Child Development Center at Woman's Hospital, that high quality child care is difficult to find, and one of the things that make it high quality care is, again, that the facility is appropriate to house children, to welcome families, because it is not just for the children. In order for us to facilitate and support families, we also need to have spaces that encourage them to participate.

I have a written statement, testimony that I would like to read. From my perspective as an early childhood professional and practitioner since 1975, I wish to offer this testimony in support of H.R. 3637.

My entire career has been in child care. I have participated in the care and education of young children in Florida, Massachusetts, Virginia, and for the last 14 years in Baton Rouge. I have seen the impact of child care on families.

As the director of an employer-supported child care center, I know the positive force that responsive child care has on the work-life of families. I have also heard the stories of care which sends parents to work wondering about their child care choice and worrying about their children.

The need for child care which meets the child's needs for consistent, responsive, appropriate care, and the family's need for support and affordability is tremendous and well-documented. As a member past of the Licensing Committee, I have heard the list of deficiencies which so often include facility design and maintenance problems in addition to the issues of quality, such as child-staff ratio, staff training, supervision, record keeping, and the lack of liability insurance.

This bill could increase the number of child care facilities which offer appropriate spaces for our youngest children to spend their day. With the needed financial support, child care providers could expand their services. Facilities built or renovated for children and family friendly spaces would offer the first step in meeting the growing need for care.

These facilities could include the security needed to offer care during the evening and nighttime hours when so many parents are able to find employment. Space could include areas where older children even as old as middle age—I think I will go—even middle-school age children could be safe but offer choices which assist with

academic skills as well as developing interests such as cooking, sports, and computers.

No one today could consider operating a service such as child care without concerns related to liability and litigation. The cost of insurance has prohibited potential providers from entering the field as well as prevented providers from expanding their services.

It is my hope that this bill could have a positive impact on the quality of child care. It is well-documented that child care of high quality has positive effects on children and their families. It is equally well-documented that very little of the care available in our State and many others is of high quality.

Quality is seen in programs where children are cared for with respect to their culture and wishes of their family. Quality is represented in adults who are responsive to infants and toddlers with consistency and constancy. Quality is observed in activities for children which are appropriate for their age and individual abilities.

This can only be done when those adults working in child care remain there and continue to receive training. Low wages and the demanding work of early care and education should not be synonymous.

While the ability to ameliorate the low wages so pervasive in child care is beyond the scope of this bill, the Commission described could enhance program quality. A foundation could not only research issues in early care and education but also assist providers in the process of continuous quality improvement and program enhancements for children and families.

The Commission is most definitely needed as a guiding force in the development of both policies and pathways which will guarantee and enhance the potential of success of the child care it has built.

It is absolutely vital that we do not neglect the quality of the service which we are seeking to make more available and affordable. There will be child care, whether in churches, for-profit chains, school-based, employer-supported, or in family child care homes.

The compelling question is whether child care will meet the needs of the society by allowing more parents to work or will it meet the needs of the children. It must do both. If we fail to find ways to improve the quality of the child care we create, we will find that the children we claim to serve are our unintentional victims.

Please use all the information and experts available to match the availability of funds with support and requirements for program design, policies, and administration. It is better to go slowly with the future than to look back and wish it could be done again.

Thank you.

[The prepared statement of Gail B. Kelso can be found on page 45 in the appendix.]

Chairman BAKER. Thank you, Ms. Kelso. Thank you for your comments.

Our third member of this panel is Janie Starks, Executive Director of Partnerships in Child Care.

STATEMENT OF JANIE STARKS, PROGRAM MANAGER, PARTNERSHIPS IN CHILD CARE

Mrs. STARKS. And actually it is program manager. We do like the promotion.

Chairman BAKER. We are trying to help everybody.

Mrs. STARKS. We appreciate that.

Partnerships in Child Care is the local resource and referral agency for the Baton Rouge, Lafayette, and Lake Charles areas. And what we do is our main focus is to take calls from parents looking for care and help them find suitable care which they can either afford or is close to their home or their work or meets their needs.

As Charlotte mentioned, we do get many calls from parents looking for care for their children who have special needs. That is kind of what that agency does.

Also, as part of that, we have a training project that we operate out of that office, and both of those programs work through the Volunteers of America of Greater Baton Rouge. And I also have a written prepared statement.

Chairman BAKER. Certainly.

Mrs. STARKS. Parents are entering the work force now more than ever. In 1997, there were 10,610,000 or 65 percent of all women in the work force. These woman had children under the age of six. The jobs they find are often on the lower end of the wage scale. They also require parents to work during non-traditional hours.

Many of these parents are single and may not have available family support for child care. To facilitate parents entering the work force, accessible, affordable, quality child care needs to be readily available. Family child care homes provide one child care option for families who find it necessary for both parents to be employed.

An additional incentive is that family child care homes allow women who choose to stay home with their own children an opportunity to earn an income by keeping other children in their home if they so choose to do so.

A home setting, more flexible hours, and the convenience of a neighborhood location make family child care homes a viable alternative for care. Family child care has the potential to be more sensitive to individual family needs, and thus, to be more supportive of families.

Two groups of families use family child care homes: Mothers that are employed part-time, and families with children under the age of three. The image of family child care homes by some is that of custodial care, babies in cribs with propped bottles and young children in front of the television with little interaction from caregivers.

In a 1994 study conducted for the Families and Work Institute, it was reported that one in three family child care homes provided care that could conceivably hinder children's development.

As proposed in the pending legislation, the small purpose loans would benefit the family child care home provider. Young children need stimulating environments in which they can develop. The loan could be used to supplement play materials as well as provide a variety of experiences for the children in care.

Family child care homes are highly privatized in funding. Additional funding services which would be available to them could only make a situation that is mediocre at best, better.

All child care settings must operate as a business, including family child care homes. One element of a well managed business is adequate insurance coverage. In conversations with child care providers, the availability and expense of insurance is a recurring concern.

This is especially true of family child care homes. They are typically operated on low budget. Providers often earn very low wages, some even below poverty guidelines. By furnishing a system by which providers would be eligible for liability and fire insurance, one obstacle to their supplying care for children would be removed.

Child care providers, especially in family child care home settings, as a rule, are not adequately trained to care for children in group settings. More than half of the States do not require training before providers care for children in family child care homes.

One of the most critical elements in improving children's experiences is staff education and training. Through the provision of additional training opportunities for family child care home providers, which follows the basic principles of adult learning, quality in these settings would be favorably affected. Training also has a positive effect on provider behaviors when interacting with young children.

The establishment of the Children's Development Commission Act, which would meet the needs of not only the family child care provider but of all child care settings which families use to provide care for their children, would supply quality child care for all of America's children.

[The prepared statement of Janie Starks can be found on page 47 in the appendix.]

Chairman BAKER. Thank you very much, Ms. Starks, and to the entire panel. Thank you very much. You have piqued my interest on several aspects of how what we are attempting to do might inter-mesh with your observations.

Each of you talked about location, location, location, which means to me that unless the facility is enormously well funded, it probably has a limited market range because the person has to live fairly close, looking at it backward.

That means if we are to do this properly with the right resources, it is an expensive proposition in relation to what a limited number of people might afford in a middle income community so that you might have a thousand households around you in which maybe 50 have need of your services that are not too far away, too inconvenient.

It would seem to me then that—if I am hearing you accurately, I am greatly concerned about one piece of news, if I understood it correctly, that one out of three providers may, in fact, be providing care that is harmful to the child's development. That is very distressing.

One of the goals of this legislation in attempting to make access to credit easier is to have as a result an enhancement to a certain minimum standard. You then go on to tell me that half the States don't have standards.

If there aren't adequate standards in place at the State level, we are going to make Federal resources available and one-third of those in business are now harming the child as a result of the care being offered, do we need to be raising the high bar on this bill a little bit to make sure we, in fact, are improving quality of care and not adding to the one-third who are simply doing the wrong thing?

Does anybody care to respond?

Mrs. KELSO. For the most part, the care which Janie referred to is actually—Mrs. Starks—is the family child care, which in Louisiana and apparently half—and again, things are consistently changing. Again, child care having become a hot topic in the last 10 to 15 years, maybe 20.

But the family child care which is typically done in a person's own home and may well not be regulated, as it is in Louisiana—it is not regulated at this point—that care exists and probably always will, the family who takes care of their own children plus a few others.

The research which Mrs. Maloney identified from the Cost Quality Outcome Study looked in four States and did identify quality at a certain place, at a high bar, if you will.

Many of us who offer what we consider to be quality programs might not have been judged that way based, again, on that study because of what they looked at. And one of the things that they did look at were the licensing standards in that State. Every time Louisiana is poled next to some of those States that were in that study, we always come out on the low end of the barrel.

Being given the opportunity to have a set of national standards that then gave access to funding which could enhance the program quality, with appropriate support to get there, and by that I really mean technical assistance at a local level, something, again, that that Commission might be able to take the responsibility for, that would be the piece.

Chairman BAKER. Is there a blueprint—and I know every State and every market has its distinctive need based on the local unemployment level, local education, and so forth—but, is there a blueprint that could be had that would establish national minimum standards that would not be onerous but would be constructive?

I think that is my difficult question. I certainly am not the one to decide which pieces are required in order to be an eligible borrower, but if there are minimum standards that make sense, maybe that is what we need to hear.

Mrs. PROVENZA. The new Early Head Start standards have just been developed. They have been out for several months. Early Head Start is birth to three years. Their standards are wonderful. And they are thick, and they are big. I haven't gotten all the way through them yet. But that might be a great place to start.

They spent an enormous time researching, developing. It goes all the way. It's in health; it's in education; it's in curriculum; it's in training; it's in management systems. That might be a great place to start.

Chairman BAKER. Excuse me. Just on that point though, if we are talking about the bulk of care being provided by family oriented providers who take care of their own children and, say, six neighbors' children, could they meet those criteria?

Mrs. PROVENZA. They have for center-based care, home-based care, and family care. I guess what I am trying to say is that there are what are considered best practices or standards. It would be, I think, a good idea to look at what those are and go from there, whether they are more minimal than those.

Two points that I would like to make is that I would very much like to see this legislation be more than just bricks and mortar, that you have to raise the bar on what quality is and how you define quality, your ratios, your interaction, your support to get to what is considered quality.

Chairman BAKER. Let me ask one further question, because in normal Washington terms, we have limits on how long we each ask questions, and I am already way over my time, and the other two Members are going to want to ask questions, but here is my last one: If we adopted some national standard that you feel would be reasonable, would the result be to take out of business some of the current providers?

Would that be the inconsequence of it? Or will there always be, from your perspective, people in the marketplace providing services that aren't what we would like to see? And is there anything we can do about that?

Because if I am hearing it properly, there is a small group of providers that as a consequence of their care, may be inhibiting the development of the child as opposed to helping the development of the child, and that really bothers me, and what can we do about that?

Mrs. KELSO. And rightfully so. It should bother you. But whether they are family child care or center-based care, both situations may exist and children may inadvertently be harmed.

The standards may well take people out of business, if you will, but what, again, I thought was happening was that in order to get some of the Kiddie Mac money, you needed to meet these standards. So it would be a self-selection process.

The other challenge always comes up with parent choice. It's probably not possible to find one set of standards which is going to apply to both the family child care situation and a child care center that is operated by a company or perhaps even the Government or a for-profit chain.

There are differences. There may not be one set of standards that actually meets an across-the-board kind of thing, and what we don't want to do is limit parental choice, because despite how some of us may feel about our kids, we don't have all the answers.

The experts will give us some information, and certainly the National Association for the Education of Young Children, the U.S. Army also used a variety of standards, and there are a great many that are out there.

Chairman BAKER. Thank you.

Mr. Kanjorski.

Mr. KANJORSKI. I thank you, Mr. Chairman. It's interesting when I heard Richard talking about national standards, I went back——

Chairman BAKER. Be careful.

Mr. KANJORSKI. We just had a discussion in education on the house floor, and we wanted to have national testing, and it becomes a very contentious issue. Nobody's right or nobody's wrong.

It's just how you perceive the situation of whether a locality should guide or the State should guide or the Federal Government and how intrusive.

I tend to think that we do need some national standard from the standpoint that looking at the assessment that was done, State-by-state child care assessments, it's really interesting. Those that have a high composite that come in the top, I would venture to say if I were to ask, the three of you ladies could name five of the seven States just like that, because you would also ask where are the best educational institutions, where are the highest paid jobs, where is the most enlightened constituency, and they would fall in Connecticut, Maryland, Massachusetts, Minnesota, California and Washington, and by chance, Hawaii is in there too.

And then on the other hand, we turn to the bottom of the scale, and you could probably project several of those States too. Unfortunately, we are in one. I think 49th on the list of 50.

Mrs. PROVENZA. Right.

Mr. KANJORSKI. That poses a real problem because we are always talking of allocation of assets. And so that people understand what I am addressing, and I want you to think about it this way, how should we look at the subsidy?

Is it just that we provide some band-aid assistance of a little window of some financing, or should we look at it comprehensively and really recognize that these 10 million children that we are talking about, and I think that's what falls in that category, are a good portion of our future 20 years from now. They are the ones that are going to create the wealth and lead the Nation in the right direction or wrong direction. So it's worth quite an investment for us.

Now, I come from the State of Pennsylvania. Our education is financed on a very local level. So you may have one community that spends $3,000 a year to educate a child, and right next to that community where the country club may be located or something else, they may be spending $13,000 a year per child. Obviously, although, money doesn't establish always quality, money certainly doesn't hurt to have some quality. So very often these students that are in school or whether they are with day care, they start out in that jump in life, and the less advantaged student never gets a chance to get there.

So I am trying to look at it and say that we may not give you a guarantee that he will get a Ph.D., but everybody ought to start out with the opportunity of having the first three years of the best quality exposure to give them the stimulus they need that maybe would stimulate them to get a Ph.D.

But we certainly know if we don't provide that at some fairness ratio—and looking down at the system, the private sector is a very inventive sector. In my district, the Federal Government has a Federal installation. We have an excellent day care center. It's incredible. I go to see it all the time, and I soothe my guilt feelings because I say, oh, that is day care. It's being provided. So all the children are being taken care of.

And then I will go down to the community that has the university in it, and because there are so many faculty members that have children, excellent day care, beautiful facility, well-trained people, well-balanced.

Some of the lesser neighborhoods have also good healthcare. One experience I had recently was a 94-year-old senior citizen probably providing the most loving development care that I have seen in a long time in any healthcare setting.

But by and large there is a measure of quality and quantity of money available and training and skill available, and it almost fits into the socioeconomic strata of our society.

All three of you are very experienced, and probably from a general observation I would say you have probably had experience on the M site (phonetic) scale. But assuming that you had experience on the M site, where do you think we should be?

Should we, as a matter of Federal policy, say we are going to subsidize those that don't have enough, more than ones that do; or should we say every child should be entitled to $5,000 a year either through subsidy or tax credits or something corporate or otherwise; or should we plug in more money in Louisiana than in Massachusetts?

Mrs. KELSO. Yes.

Mrs. PROVENZA. That is it.

Mrs. KELSO. You thought I was going to miss that chance.

Mr. KANJORSKI. Remember, you lived in Massachusetts at one time. You may have to go back.

Mrs. KELSO. That will be fine. Because they, perhaps, are already a little further up that scale.

I don't know what the real answer is, but when you ask us about that country club versus that place that doesn't have it, the one thing that we do see over and over again is that there are programs which will meet the needs of families for certain eligibility for certain income levels. And there are families who will take care of their personal need for quality at their income level.

The question is what happens in the middle? What is the gap? And so how do we really be sure that the programs are good, whether you receive the subsidy or whether your family can pay for it, so that all the children go to school equiped to one day get a Ph.D.?

Mr. KANJORSKI. OK. Should we tax a better-off parent and provide for the less able economic family?

Mrs. KELSO. I thought we already were. I am sorry.

Mr. KANJORSKI. No. Understand, the big argument in Congress right now is to do away with the graduated income tax and go to the flat tax.

Mrs. KELSO. Oh, yes. Yes.

Mr. KANJORSKI. So the whole pressure philosophically in the country now is those that have a right to keep a same proportion of those that don't have.

We are not in a measure trying to equalize out opportunity and benefit in our society. We are now talking about supply and demand and the reward and the right to have that.

And many of our States are fighting that argument in terms of how we disburse tax monies for education purposes. The disparagement is phenomenal. Across from Washington, if you will, in Fairfax County, I think it's $13,000 per child for education. It's almost what a prep school charges.

Yes.

Mrs. PROVENZA. I would like to suggest that we subsidize the lower end with special provisions and requirements that are quality indicators to maybe perhaps to a more degree than we do the other end, the country club end, so we can merge that spectrum.

Mr. KANJORSKI. I am not too far from that either, but with national standards and national compliance?

Mrs. PROVENZA. Personally I think there need to be national standards.

Mr. KANJORSKI. You think Louisiana should surrender its States' Rights?

Mrs. PROVENZA. Well—gosh, with all these people in the room I have to answer this. I think there should be Federal minimal standards that you have to comply with, and then let the States make the decisions of what additions to or indicators within those should be. That way you still have your minimal Federal, and then you have still got your States' Rights in there.

Mr. KANJORSKI. If they want to be higher, they can be higher, but no minimal?

Mrs. PROVENZA. Right. Minimal. Like we offer in several other assistance programs.

I think the issue is, if we really want to shrink down or bring both ends together, then that is what we are going to have to do. I think there should be a lot of support and training so that once you start with your gorgeous new facility you can maintain, and that your curriculum and your instruction is continuous and ongoing quality.

I think it's a part that you pay now or you pay four and five and hundreds of times later. If our job is to prepare families and children and babies in the birth to three year age so that they are ready for four-year-old programs and five-year-old programs and public school, private school, Head Start, whatever, that we have to assure at the lower end of the spectrum and the upper end of the spectrum they are receiving what they need to receive.

Mr. KANJORSKI. I want to get to Mrs. Maloney. She is so important on this. This is her whole idea. But do you really have a feeling, the three of you, in looking over the facilities in both the quality and the care that we may be losing a Thomas Edison?

Mrs. PROVENZA. Perhaps. I have seen some of the best quality care in the worse facilities you can imagine. I have—in another position that I had, I went to over 70 child care centers within the six-parish region. So I have been in child care centers that you absolutely would not leave an animal in, and I have been in corporate America child care centers run by huge corporations that are gorgeous, and still the quality of care comes down to that individual and that person that is interacting and teaching that baby and that child.

So if I look at both of those ends, it comes down to how well that staff is, and you can be the best there is in a facility that just has a tin shed playground. Of course, I would love a playground.

But anyway, it's hard enough to start a program. It is hard to maintain it. I wouldn't want to exclude anyone, individual, corporate, or Federal, anyone from getting into the business or staying in the business, but I think they have to know that this is what

the expectations are to be a quality provider and those are minimals that you should be able to assure us that you can do.

Did that answer your question?

Mr. KANJORSKI. I could go on for hours, Mr. Chairman.

Chairman BAKER. I know.

Mr. KANJORSKI. It's a great panel, and we are getting so much insight. Thank you very much.

Chairman BAKER. Mrs. Maloney.

Mrs. MALONEY. Thank you very much. I enjoyed and appreciate very much all of your thoughtful testimony. Several weeks ago we had a similar hearing such as this one in Washington, and one of the professionals who testified was a Mrs. Lobe from Illinois, and she had rather startling testimony.

She runs a facilities network in that State, and she stated that $60 million was returned to the Federal Government that had come in in existing subsidies because the child care slots were not there, and I would like to ask all members of the panel to let me know, if you know, is Louisiana using all of your allocation of what subsidies are already there, or is the State in any way turning any money back? Do you know?

Chairman BAKER. I think one of our next panelist would probably be better suited to answer that. But that is a warning they better get prepared.

Mrs. MALONEY. OK. There is a tremendous need. I know you know that, and I have read some of the articles that Richard has written, or Congressman Baker, on the need here in Louisiana.

And I just wanted to build on what my colleague Mr. Kanjorski was saying. You have to look at this, as I said earlier, as a building block in that it is just the facilities, and that is not enough. The President proposed in the State of the Union a $22 billion day care package that included additional subsidies. It included training for teachers and help in that area, and it included tax credits based on the need to expand child care, and this was not part of his State of the Union.

I feel if we had gotten it in in time it would have been part of it. We realize this is one part or one block of many things, but it's an important block, and if you didn't have it, then you couldn't get the other things.

And as Ms. Provenza stated, her look for child care—now you said you were in the Methodist Church. One of the things about the bill is that it's flexible and it allows the loans, the grants to go to not-for-profits such as the Methodist Church.

I know that in New York and poor neighborhoods a lot of times it's the churches that provide it, and I just wanted to let you know that.

And Ms. Starks, when you talked about the liability, how difficult that is, we were trying to remove many of the hurdles that get in the way of going forward with child care.

One of the things about it is that it's a flexible program and that it would certify and provide grants not only to maybe a center in a building like this one, but also in your home, family day care network, which all of you are involved in.

So I am hopeful with Congressman Baker's help that we might be able to get this one block moved forward in this Congress. The

President's proposal, as you know from reading the paper, was tied to the tobacco settlement, and it does not appear that that is moving forward.

But for all of us who care about child care and work in the trenches every day, I feel like we have to pass something to keep the hope up, to keep the move, shall we say, for child care facilities.

And I really have no other questions. I was just really wanting to hear from you, and you are in the trenches fighting this battle every day, and you are bringing to us insights that help us to see it.

On the part about the standards, the Commission would come up with the standards thereby bypassing one of the big fights we are having in Congress now. There was one segment of leadership that is very opposed to any Federal standards because of States' Rights, but you can't hand out grants without standards.

So the Commission would have standards, and by those standards hopefully bring up a national standard without having to pass a law that says this is a standard, you must pass it.

So anyway, we have worked very hard, and I must compliment everyone's staff, particularly Mr. Ted Beason who is here, and actually, my own staff too worked very hard on it too. So I want to compliment everyone who worked on it, but we try to take care of some of the problems that all of you are putting forward, and I hope we will be able to pass it in this legislation.

I yield back my time.

Chairman BAKER. Thank you, Mrs. Maloney. I just had one further question to get your opinion. As you know, we have a student loan program that at the collegiate level if you are unable to pay your full college tuition in a specific period of time, you can get an extended repayment program.

Most parents or students understand the value of that and are willing to go into debt to subsidize that important college education. If we were to back off and take a look at the spectrum of what is really important, if the child doesn't get that stimulation and care between birth to age four or five, you may preclude that college on the face.

Therefore, I raised the question in a Washington hearing earlier this year about the advisability of creating a program where a low- to moderate-income person wanting to get the best child care possible might not see some advantage in a loan program similar to that of the student loan program where you would get the cash needed to buy quality care.

That would be the operative criteria for the loan. You couldn't get it unless you were going to do it with a quality care provider, whatever that definition is, what you tell me is out there. And I believe you.

Then you could pay back that loan in a monthly increment that would fit within the family budget. The parent could have the comfort of knowing they were getting the best that any child could get, and the incentive might be for the lending institution that is involved, certain other regulatory things we might give to the bank in consideration for them making this credit available to that person.

So it wouldn't really cost us as a Government money, but we could come up with creative ways to incentivize those banks to participate in those loans that they might not otherwise make.

Is that bad public policy because we are encouraging people to take this debt, or is it good public policy because we are facilitating higher quality of the care? That is my concern, and if you have a comment about it, I would like to hear it.

Mrs. PROVENZA. I personally would think that as a parent—I have three boys—that we beg, we borrow, we do whatever we need to do because education is important to us. So that is an investment in our children's future.

I would love to see some mechanism, just like your student loans, so that families could afford where they really wanted their children to be. I would also like to see included in there a provision for teen parents that are minors or if their families qualify that they could have that same opportunity.

In our State, our teen pregnancy parenthood rate is 19.1 percent. So you have a lot of children that are looking for child care for their children. Whether they have family support and assistance or not in that endeavor to locate quality care——

Chairman BAKER. And whether it's a teenage parent or young married parent——

Mrs. PROVENZA. Right.

Chairman BAKER. Generally speaking these obligations are occurring at a time when the family income is at its lowest point. And the argument could be made, if the loan term were extended, family income might go up as educational abilities enable the father or the mom to become employed, can't work while the child is very young. So the mom goes back to work after the child is capable of being put in a normal program, and that income pays off the obligation.

Because of what is happening, I think—and again, give me your professional view—because of financial necessities and having to place the child in care so the mom can go back to work, you are finding more kids being placed in inadequately-run facilities because there isn't a choice.

Mrs. KELSO. Right.

Mrs. PROVENZA. Definitely.

Chairman BAKER. I want to thank you. We have gone well beyond what we—Mr. Kanjorski.

Mr. KANJORSKI. Just a question.

Chairman BAKER. Sure.

Mr. KANJORSKI. Part of the Baker-Maloney Bill provides for fire insurance and bringing up standards. For my own knowledge, down here in Louisiana, how helpful would that provision be in your overview of seeing, are there fire code violations, and the difficulty in getting insurance. Is this hitting the target issue?

Chairman BAKER. Even liability insurance.

Mrs. PROVENZA. I think it would make an enormous difference, particularly in being able to do your facility modifications to meet standards, your fire code, your sanitation. It would be a tremendous help.

Mr. KANJORSKI. So Richard has a good idea?

Mrs. PROVENZA. Very much so.

Mrs. KELSO. The current money that is available, it's not enough is what it amounts to. And in order to expand services, then when you do a renovation, obviously you have to come up to a more current fire safety code or life code, and that does include some of the accessibility issues for families and children with special needs.

So the money gets wrapped up more and more in that. So the insurance is the last piece you probably consider when you are looking at expanding, but it still needs to be considered.

Chairman BAKER. Let me express to each of you how much the panel really has appreciated your testimony. We were commenting just a moment ago we would have loved to have some of your perspectives in our Washington hearings. We appreciate your insight, and it was very helpful.

One thing—I don't expect a comment from the panel on this, it's just sort of an editorial comment—if we were to make some of these programmatic activities available, whether it's insurance, reinsurance for the loan, or whatever it turns out, it strikes me, Mr. Kanjorski, that one of the things that we debate most strenuously in our subcommittee is what is called a qualified community reinvestment by the bank, and today these loans would not qualify for the bank. And it's my sincere belief, without getting into the underlying arguments about that program, that if we were to do anything to encourage banks to participate, it would be for income limits so that we don't do it for upper income people, but for an income limits program to make these activities CRA-qualified would be a very significant encouragement for the banks to participate in these programs.

Mr. KANJORSKI. And target some of them so that with the regionalization, banks——

Chairman BAKER. That is correct. As we heard here today, these providers are very local. They serve their own—not community, not even just their neighborhood, they serve a few streets. Nothing is more "community reinvestment" than these activities.

So this is sort of an internal battle we are having over CRA at the national level, and I just took a free shot while I had it. Thank you very much for your courtesy.

Chairman BAKER. I would like to call our next panel of witnesses, please.

We have in our next panel Vera Blakes, Dr. Carolyn Reynolds, and Jim Wunderman. Please come forward.

Let me express my appreciation to each of you for your time and courtesy this afternoon. Our first panelist to be heard this afternoon on the second panel is Vera Blakes, Assistant Secretary of the Louisiana Department of Social Services who we welcome here, and we certainly appreciate your comments.

STATEMENT OF VERA BLAKES, ASSISTANT SECRETARY, LOUISIANA DEPARTMENT OF SOCIAL SERVICES

Mrs. BLAKES. Thank you. I really do appreciate the opportunity to be here to speak before this panel on an issue that is of grave concern to us in the Department of Social Services.

I also do bring you, Representative Baker, greetings from secretary Madlyn Bagneris.

Chairman BAKER. Thank you.

Mrs. BLAKES. I did want to say that.

But the Office of Family Support is the lead agency in the Department of Social Services with responsibility for the child care and development block grant which makes over $53 million available in Federal funds for child care purposes, for quality child care purposes as well as for the subsidy program.

With this funding, the agency is providing care to over 35,000 low income children at this time. Each month, this program enables to the parents to be able to go to work to seek training as well as to seek other educational opportunities in order that they can better their lot in life and especially for welfare recipients.

We also have—these funds were also used this summer as well as last summer for what we call a summer enrichment child care initiative with the Head Start centers across our State. This allows us to use facilities that were already in place and already had quality standards attached to the program because it's Head Start.

To use those facilities to serve over—well, this year we are going to serve over 11,000 children in the summer program. We do know that in the summer child care needs often increase because those children who are in school during the school session, in the summer months, they are oftentimes left alone if there is not adequate child care.

Another initiative that we have is that we are funding 11 rural parishes with startup funds of approximately $40,000 each in order to increase the child care facilities available. We do have an increased demand, of course, for child care, and for adequate quality child care centers or child care—I shouldn't just say centers, keeping in mind family day care, but for child care for our constituents and for the customers that we serve.

Plans are also under way for a career development program for the caregivers in order to increase their educational levels and to increase the quality of the person giving the care to our children. We also have plans to have a scholarship program to assist the caregiver in getting further education.

Now, the question was asked about whether or not we are spending the funds. We are indeed spending all of our funds. There was a time—and we do still have a waiting list, of course—but there was a time when we were not spending all of the funds. But I am really happy to say we no longer have that waiting list and have the funds available. We are not in that situation.

I know it's a problem. I know it's a problem in many States where you have funds you are turning back in, yet you have a waiting list. We decided to tackle that issue. Secretary Bagneris then was placing the responsibility under the Office of Family Support agency that I am in charge of. We decided the waiting list was one of the things we were going to get rid of. Also, we were going to spend all the funds available; and, in fact, we can use more. So I will just do a little plug on that too.

Currently, though, child care facilities in Louisiana must be fully completed and ready for operation before they can be licensed, and they cannot begin to serve the children at all until inspections, whether fire marshal, sanitation, zoning, other licensing requirements, until all of those requirements are successfully met.

This means that the individual or group that is developing the facility must have sufficient funds to complete the construction, and for the construction to be completed so that they can then receive the cash or so that the cash flow can start by the caring of the children in those facilities.

This can be a major obstacle as we all know, and therefore, I have to say we support and actually applaud your efforts, and I was really excited when we got the phone call to be invited to be here.

Of course, there are other issues with regard to resources for individuals who may wish to own child care facilities. We are hoping under the Welfare to Work, some of the programs that we are responsible for, that perhaps even some of our welfare mothers, or I should say welfare parents, some of our welfare parents may one day want to own child care facilities.

Needless to say, many of them do not have the resources even if we provide the educational and training opportunity. The resources in order to start are often not there, the monetary resources.

We also have another initiative that we have been concentrating on, and that is to be able to expand what we call the rural grants, the $40,000 grants for startup money to perhaps even our urban area. We recognize that it's not just a rural problem, child care, but it's also an urban problem; but we had to at this time just concentrate on some of our rural parishes.

We are spending well over $4 million per month in the subsidy program. In fact, this past month we spent $5.7 million spent in May on a subsidy program alone while our funding levels are approximately $63 million with about 10 million of those dollars being State dollars. So once again, I will say we can certainly use the funds.

The incentive program, welfare reform, has indeed increased the need for child care, for quality child care, for more child care facilities. We have 48,000 adults who will be reaching time limits with regard to cash assistance or welfare. Those adults, many of them are in training programs now or we are placing them in training programs and in work slots, and therefore, the demand for child care has greatly increased.

We have approximately 100,000 children who are affected by welfare reform and the time limits. So we see a greater need and an increased need for more facilities in order that these mothers and these parents will become self-sufficient.

As kind of a last statement that I would like to make is that we indeed have a double mission in the Department of Social Services in Louisiana. We have to move welfare recipients from welfare, from dependency, to self-sufficiency.

We support that effort to do that, and we are concentrating on that—vigorously, as a matter of fact, concentrating on that, because we have a two-year time limit, and in January of 1999, we are going to have 13,000 families without income because they will have reached their time limit.

And each month thereafter, more families will come off of the welfare rolls. And of course, our mission is to have quality child care for all of the children we serve, whether they be children in

a food stamp family or children in a welfare family or children who are abused or in a neglectful family situation, and even children who are in foster care families and situations.

So I thank you for the opportunity to speak. We definitely support your efforts and look forward to hearing more about it.

[The prepared statement of Vera Blakes can be found on page 49 in the appendix.]

Chairman BAKER. Thank you very much, Ms. Blakes. We certainly appreciate your time and willingness to appear today.

Chairman BAKER. The our next witness is that of Dr. Carolyn Reynolds—welcome—who is here with the Reynolds Academy of Preschool Learning. Welcome, Doctor.

STATEMENT OF DR. CAROLYN REYNOLDS, OWNER AND PRESIDENT, REYNOLDS ACADEMY OF PRESCHOOL LEARNING

Dr. REYNOLDS. Thank you. I am grateful for the opportunity to provide testimony on the Children's Development Commission Act on behalf of the National Black Child Development Institute, New Orleans affiliate.

I am Carolyn Reynolds, owner and president of Reynolds Academy Preschool, Incorporated of New Orleans and trainer of child care personnel in Region One. I am also an active member of NBCDI.

For the past 27 years, NBCDI and its nationwide affiliate network have worked to improve and protect lives of African-American children and families by focusing on the areas of early care and education, health, child welfare, and education.

NBCDI recognizes that throughout the entire process of development, the brain is affected by environmental conditions, including the kind of nourishment, care surroundings, and stimulation a child receives.

In addition, the preschool years are critical to laying the foundation for future learning. NBCDI supports the objective of the Children's Development Commission Act, H.R. 3637, to increase the availability of quality child care. This is a critical need gi[illegible]the developmental needs of young children and the demand for child care among working parents exacerbated by the work requirements of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

In 1994, the most recent year for which Census Bureau data are available, more than half of children under age five, 10.3 million, were in need of child care while their mothers worked. The labor force participation rate of women with children under six increased from 39 percent in 1975 to 65 percent in 1997. That is according to the United States Department of Labor.

Parents need access to affordability (sic), high quality child care in order to stay in the work force. H.R. 3637 would expand the availability of quality child care by, number one, offering reasonably priced liability insurance to child care providers to prevent the cost of insurance from becoming a barrier to starting a child care facility; number two, making loans more readily available to child care providers for the construction, expansion, and improvement of child care and development facilities. My personal experience points to the need for this kind of financial strategy for child care.

In 1984, I presented a business plan to the Small Business Administration to purchase a building to house a child care facility. My plan was rejected. I also presented the business plan to several banks and was again rejected.

These financial institutions viewed the child care business as a liability. In order to fulfill my business goal, I borrowed the money from my life insurance and started a quality child care facility in New Orleans, Louisiana.

NBCDI is pleased that the legislation provides four mechanisms for improving the quality of child care. These mechanisms include: number one, the establishment of Federal standards and requirements by the Department of Housing and Urban Development regarding child care and development facilities designed to insure that mortgage insurance is provided only for higher quality facilities.

Number two, the requirement that the Children's Development Commission must certify that child care facilities are in compliance or will be within 12 months with local, State, and Federal child care standards as a condition for HUD to insure mortgages.

Number three, the provision of small purpose loans to help child care facilities improve the quality of their care.

And number four, the establishment of a foundation to support research relating to child care and development facilities to fund pilot programs to test innovative methods and for improving child care and to engage in public education activities and publish materials to guide those interested in mortgage insurance and other assistance provided by the Commission. These provisions begin to respond to the pressing need to improve the quality of child care.

The Need to Expand the Availability of High Quality Child Care.

Lack of quality child care has been well-documented by research. This is particularly troubling within the context of brain development research that confirms the first three years of life are critical to the health and development of children.

Lack of a stimulating environment during these early years can have a long-lasting impact on children's development according to the Carnegie Task Force on Meeting the Needs of Young Children in 1994.

In the State of Louisiana, quality child care continues to be difficult to come by for parents in many low-income neighborhoods. In Louisiana, and specifically in New Orleans, there is a shortage of quality child care facilities for infants, sick children, children with special needs, and school-age children in before-and after-school care. There is also a growing shortage of child care for children whose parents work non-standard or flexible work hours.

The quality and safety of child care varies widely between States. A recent national survey by Working Mother magazine identified the ten best States providing high quality in child care. Each State was rated on quality, safety, availability, and commitment. Our own president, Evelyn K. Moore, of NBCDI was a member of the National Panel of Experts that helped choose the ten best States for innovations in providing high quality child care.

Louisiana, along with Mississippi and Idaho, ranked at the bottom of list of States. However, some initiatives have been made to upgrade the quality of child care in Louisiana, such as, number

one, creating a career development program for child care workers; number two, designing new caregiver training programs; and number three, offering courses at local universities and community colleges and State resource and referral agencies to interested caregivers.

H.R. 3637 could be one of the catalysts to bringing high quality child care to Louisiana. Research indicates that States with more demanding licensing standards have fewer poor quality centers. Centers that comply with additional standards beyond those required for basic licenses, licensing, such as those required for funding or accreditation, provide high quality services.

Therefore, NBCDI recommends that the Department of Housing and Urban Development adopt the accreditation system of the National Association for the Education of Young Children.

This is a professionally sponsored national volunteer system that represents the consensus of the early childhood profession regarding the definition of a high quality program for young children.

In addition, NBCDI recommends that the Department of Housing and Urban Development also establish standards regarding family day care that reflect a national volunteer accreditation system such as the one being developed by the National Association for Family Child Care and the National Family Child Accreditation Project at Wheelock College in Boston, Massachusetts.

Expand Function and Requirements Regarding Small Purpose Loans.

NBCDI's second recommendation is to expand the function of small purpose loans to include helping facilities comply with local and State licensing and registration standards and Federal standards.

Additionally, this subsection should be amended to state that loans shall be made only for such facilities that will comply with local, State, and Federal standards of quality no later than 12 months after certification of compliance by the Children's Development Commission.

These changes combined with the current language of the subsection will insure that small purpose loans will function to improve the quality of child care.

Provide Technical Assistance to Child Care and Development Facilities.

NBCDI's third recommendation is to provide a mechanism in H.R. 3637 for the provision of technical assistance to child care providers seeking loans. The importance of providing technical assistance as an integral part of child care financing has been supported by my own experience in the child care field, as well as by research based on financing strategies for child care facilities.

In addition, providing technical assistance is an important strategy for increasing the comfort level of lenders considering providing loans to child care providers.

Equally important as providing loans to child care facilities is providing technical assistance to help providers qualify for loans and to use the loans to effectively manage child care and development facilities and increase the quality of child care.

NBCDI's New Orleans affiliate recommends that this technical assistance is provided by stakeholders in the community in which

the child care facility is or will be located and who have expertise in early childhood education and the fiscal and legal aspects of child care.

We are proposing the establishment of a Louisiana coalition for high quality child care with NBCDI's New Orleans affiliate serving as a conduit. The coalition could provide technical assistance to new and existing child care centers and family day care who wish to improve the quality of their service and strengthen their management capabilities.

NBCDI strongly recommends that this technical assistance model be one of those adopted by H.R. 3637. The value of technical assistance lies in its ability to accomplish two objectives: number one, strengthen child care facilities financially through the development of a sound business plan; and number two, improve the quality of child care through staff development and training.

In conclusion, H.R. 3637 takes an important step toward increasing the Federal Government and private sector roles in child care financing; however, additional legislation is needed to create other financing mechanisms for child care facility development such as grants.

In addition, legislation is needed to substantially increase mandatory funding for the child care and development block grants to increase the availability of child care subsidies for low-income families.

The Department of Health and Human Services estimates that only one out of ten children eligible for child care subsidies gets them. Due to an insufficient child care and development block grant funding level, many eligible families do not receive subsidies, and many families who are not eligible still need help meeting the cost of child care. For example, in as many as 37 States a family of three with an income of $28,000 is not even eligible for a child care subsidy. That is according to Child Care Bureau, 1998.

I would like to thank the House Banking Subcommittee on Capital Markets, Security and Government-Sponsored Enterprises for the opportunity to testify on this important legislation.

The National Black Child Development Institute looks forward to working with the subcommittee to strengthen the Children's Development Commission Act so that it is able to improve the quality and availability of child care.

Thank you.

[The prepared statement of Dr. Carolyn Reynolds can be found on page 51 in the appendix.]

Chairman BAKER. Thank you very much, Dr. Reynolds, for your thoughtful presentation.

Our next panelist is Mr. Jim Wunderman, who is Vice President of Corporate Affairs for Providian Financial Corporation. Mr. Wunderman, welcome.

STATEMENT OF JIM WUNDERMAN, VICE PRESIDENT OF CORPORATE AFFAIRS, PROVIDIAN FINANCIAL CORP.

Mr. WUNDERMAN. Mr. Chairman, Representative Kanjorski, Representative Maloney, it was nice to have the opportunity to present before you in Washington—I guess it was last week, but it feels

like longer than that, and it's good to be here in the great State of Louisiana, Baton Rouge, to join you again.

This is a very important issue, and at our company, Providian Financial, we think it's courageous and wise of you to take this issue to the limit and see what we can do to address it and do so soon.

I will make my comments as brief as possible and leave some time for you to ask questions of the panel. Let me start again by thanking you for having us here on behalf of our CEO, Shailesh Mehta, and our company. We want to let you know right up front that we are very supportive of H.R. 3637 and hope very much it makes it through the processing and passes. You have our offer to help make that happen.

Let me tell you a little bit about our company. Our primary business is consumer lending. Our major products are Visa and MasterCard credit cards, home equity loans, and lines of credit. We also provide high-yield deposit products. We are headquartered in San Francisco. We have operations in northern California, Utah, Kentucky, New Hampshire. We are a public company traded on the New York Stock Exchange.

We currently employ over 4,000 people, and we are amongst the ten largest bank credit card issuers in the United States. Significantly, Providian is the largest provider of credit cards to persons who are new to credit, who have problems with their credit histories and, thus, experience difficulties getting the credit they need in today's financial marketplace, much like child care centers.

Providian recognizes the importance of affordable, safe, and quality child care. We believe our success has been generated by the commitment and contributions of our employees, many of whom are dependent upon their child care providers.

As a very concerned corporate citizen, we are encouraged by the Welfare to Work initiatives undertaken by the Congress. And we are keenly aware, however, that for these initiatives to succeed those of us in both the public and private sectors must commit to increasing child care capacity and improving quality both for preschool and for after-school needs.

As a company that specializes in providing financing to an under-served market, we take special interest in the needs of child care providers who face tremendous difficulties when they seek financing to expand or improve their operations.

Obviously part of what we are doing is—I call it a matter of enlightened self-interest. We are actually convinced that the future of the American economy is dependent upon our ability collectively to grapple with this issue and meet the demand for quality child care in the future. And our business will do much better if the economy is strong. So we approach this on that basis as well.

At Providian our business philosophy is to recognize unmet needs and to engineer practical ways to meet those needs. Operating under that philosophy, we have dedicated ourselves to making a real difference in the efforts of our communities to tackle the child care issue. I will give you a couple of examples.

In October 1997, Providian committed $5 million to improve the quality and availability of child care in the State of New Hampshire. Our $1.8 million grant to the New Hampshire Community

Loan Fund already has secured space for hundreds of children statewide, and thousands more are due to benefit.

The first statewide fund of its kind in the country, the loan fund makes loans to nonprofit organizations like child care centers that meet community needs. Providian's commitment is enabling the loan fund to help centers stay open and create more space where it's most needed, and we are working very closely with Governor Jeanne Shaheen and we are serving as co-chair of her Business Commission on Child Chair.

In San Francisco, Providian recently contributed $400,000 to the city's Child Care Facilities Fund. This fund is a unique public/private partnership geared to improve access to and quality of child care in San Francisco by providing no or low-cost financing opportunities to child care providers in order to meet one-time capital expenditures. And that is for both large centers and family based child care.

Providian is also becoming increasingly active on the child care front in the State of Utah where we recently sponsored a statewide conference put on by the organization Utah Children. This brought together policymakers, providers, and advocates to help develop Utah's plans for addressing child care needs in that State.

I would like to discuss for a moment why child care providers need access to capital resources and why banks often are reluctant to lend to them. Most typically a child care provider's loan application depicts a very small organization that is labor-intensive, yet, pays extremely low wages that results in close to 50 percent turnover annually.

These centers are dependent upon modest parent fees and very often fundraising activities just to meet basic operating expenses. Child care providers generally are not strong candidates for traditional loans because they offer, at best, a single-use building as collateral with a high loan to value ratio and projected cash flows that are barely sufficient to support the debt.

This is not in any way a safe and sound investment for a regulated financial institution. A lender needs concrete assurance that today's loans to a child care center will be repaid.

And very importantly, communities and working parents need reassurance that the infusion of new capital will not generate a debt burden that ultimately could lead to the closing of a desperately needed resource. We certainly don't want to have a situation occur where a bank makes a loan and as a result this child care center shuts down. That is a situation that we face several times in our lending activity and we can talk about more.

I would like to discuss the benefits of Kiddie Mac and explain why it's important that Congress move forward with this legislation. First and foremost, the loan guarantee provided in the legislation will open doors for child care centers to approach banking institutions to discuss their financial needs. By providing a Federal guarantee, Kiddie Mac will help make banks more comfortable with child care providers as borrowers.

We are confident that the new dialogue between banks and centers will lead to creative financing opportunities that otherwise would not have been realized.

Secondly, we think it's a particularly important step for the Government to provide a loan guarantee program for nonprofit institutions like child care centers. Since Small Business Administration loans have not been available to this sector, we concentrate most of our efforts on nonprofit child care centers, again not eligible for Small Business Administration loans.

Third, the low-cost fire and liability insurance will help protect the centers and will do so at an affordable price. And by reducing insurance costs, resources are freed up for debt repayment.

Finally, the legislation allows privately funded programs like ours to focus efforts away from guarantees and in to other areas like interest rate buy-downs and technical assistance which can be crucial to the success of child care center financing.

Many of the loans that we have done through our fund in New Hampshire, they are loans that a bank would never make under normal circumstance, and we do things that would be normally impossible. For us it's charity, and so we enable the loan fund to do that through the resources that we provide.

Somewhere in between I think the Government could act through Kiddie Mac and like programs and the support that would be provided to banks and the encouragement to banks to make the loans I think would become possible through what you are doing.

Clearly as the Committee is certainly aware, Kiddie Mac is only one piece of the child care puzzle. It will go a long way toward addressing one of the major unmet needs of the child care industry, access to capital. And as we all know, there are other needs to be considered, including child care centers' ability to generate revenues and their need for business and technical assistance as Dr. Reynolds discussed in her comments.

But the legislation you have before you is really a great start and you are to be commended for it. It will result in child care centers getting started which otherwise never would have gotten off the ground. It will mean expansions that serve more children and their working parents. It will provide improved facilities, better play equipment, and a safer environment for our children. We urge your support for Kiddie Mac, and you have our commitment to work with you to make it succeed.

Thank you.

[The prepared statement of Jim Wunderman can be found on page 60 in the appendix.]

Chairman BAKER. Thank you very much, Mr. Wunderman, and to the other panelists.

I am going to extend to Mrs. Maloney an opportunity to make a remark or two. She is going to be getting on a 5:00 o'clock airplane back to New York. So she needs to be excused.

Mrs. MALONEY. OK. First of all I would like to thank all of the panelists, and I would like to welcome Mr. Wunderman back. I had the opportunity of hearing his testimony June 20th in Washington, and he was kind enough to join us here in Louisiana.

I do want you to know that in drafting this legislation we studied very much the model that you put together in New Hampshire, and it was one of the many things on which we relied.

Mr. WUNDERMAN. Good.

49-889 98 - 3

Mrs. MALONEY. And I really compliment Providian for your leadership. We just wish we had more corporations that were stepping up and being part of the solution, and hopefully your leadership will make that happen.

I did want to comment on one of the things you stated. You said that you face the situation that sometimes you had given the loans to child care centers and it had almost ended up in closing the child care center.

Would you elaborate on that a little bit, and how was that solved?

Mr. WUNDERMAN. Yes. What we did is we took on financing opportunities of child care centers who had taken out market rate financing and found out later on that they either—with all best intentions on the part of the center and the financial institution that made the loans, most often at a community bank, they couldn't meet the debt burden of a market rate loan, which in the first place may not have been given except for the desire of the community bank to do good work in the community.

So what we did through our loan fund is we would step in and say, OK, no interest payments for the next—and we would basically take out the bank and become the lender there and start off by saying, well, you don't have any cash, so you can't make a payment for a couple of months, so you don't have to. And we will reduce the interest rate to a below market rate, maybe down to 2 or 3 percent or thereabouts.

And every few months, you don't need to make a payment because you won't be able to afford to, taking a look at your future cash flow, you know, maybe in the first year of the loan. But ultimately you'll pay off this loan. The center will stay open which would have closed in a month.

And we have saved, in a couple of cases, a couple of child care centers which were really good centers but just had a hard time staying open given the total cost of their operations.

And on the technical assistance issue, when they took that loan, they were so happy to get it from the community bank, they didn't really understand what they were getting into.

Dr. REYNOLDS. Exactly.

Mr. WUNDERMAN. Another example of this is in expansions. Often a child care center that is doing a very good service—just as an example, they have 80 kids and they want to go up to 120, and the demand is there for those slots.

So they get a loan to go to 120 kids, and they look at the cash flow and say, OK, we have got 80 kids and they're paying X amount. So this is current cost. This is the current cash flow situation. With this extra 40 kids, we will get another 40X, and so we can meet the debt burden.

Well, they do the expansion and they get finished up and they find out they don't have 40 kids on the first day. And they didn't realize that they only had four more kids. It's going to take three to six months because of the school year and that kind of thing. So it takes a few months. Well, they don't realize that, and they get into trouble, and they can't initially start making the payments.

It may take them a year before they can get their head above water. So that is where technical assistance comes in. Someone

says, Well, did you realize this is what the real business scenario would look like?

So we have had a couple of those and been able to be helpful closing the gap in that situation.

There was one, I think, in Manchester, you know, where it was just a great center. A center moved—it had nothing to do with us. They moved from one location which they got kicked out of to another and just weren't able to do it all for the amount of money that they had, and they wouldn't have been able to open the place. And we came in and made a fairly small loan, $15,000, but it made all the difference in the world to them.

So these are situations where, you know, normal bank financing, you know, is going to be tough, and I think you need some combination of corporate good citizenship, maybe some other governmental approach, maybe your—within this legislation I think the application of the smaller loan program, I think that has more value than you think it has, especially if you apply it right. So you are definitely heading in the right direction.

Mrs. MALONEY. Can you think of any role that we should write in to this legislation for corporate involvement? What you have done is incredible. How can we encourage more corporations to come to the bat? And when you see this $15,000 loan that you said literally opened up and saved a day care center, I mean, that is the kind of story we want to get out.

Mr. WUNDERMAN. Well, the Chairman said what you need to do is rewrite some of the CRA recs so that you encourage rather than discourage your major banks from lending in this area.

We are able to do it. We are a limited purpose bank. So we get CRA credit for doing at least part of this, and other banks don't. But you could change that. It's something you probably should look at and see if you could——

Mrs. MALONEY. That is a valuable recommendation, and we will look at that.

Ms. Blakes, is there a waiting list in Louisiana for day care now?

Mrs. BLAKES. No. We do not have a waiting list as such. We did have a waiting list at one time that was in the thousands, but now, of course, we are continuing to take applications and to certify families for day care each month.

So it does not mean that we don't have families that are in need of care, but we were able to start meeting the demand, and even with the additional Federal funds that we had available. But as we are meeting that demand, we are going to have a waiting list because we are starting to spend all the funds that are available. Just in that $5.7 million spent in the month of May, if that continues, we will be over the $63 million that are available, you know, in State and Federal funds that is available. So we very well could be in a waiting list posture again.

Mrs. MALONEY. And Dr. Reynolds, I really want to compliment you for coming forward with ideas, and we will be certainly looking at them. All of them are good on the accreditation and for the small purpose loans to include helping facilities comply with local and State licensing.

Dr. REYNOLDS. Yes.

Mrs. MALONEY. And also your idea—actually, this came out of a hearing we had on June 20—on the need, and it was really in Mr. Wunderman's testimony too, the need for technical assistance.

Dr. Reynolds. Yes.

Mrs. MALONEY. And building some form of technical assistance in there.

I have to leave to make my plane.

Dr. REYNOLDS. We are sorry.

Mrs. MALONEY. So I am going to be inspired on this, and I really learned a great deal. It's been a wonderful experience here in Louisiana. And I am going to take that with me back to Congress, and I will be more inspired to work with Mr. Baker and Mr. Kanjorski, and hopefully we can pass this and get the momentum moving forward continually for day care.

Dr. REYNOLDS. Yes.

Mrs. MALONEY. We need it. As Ms. Blakes pointed out, the changes in welfare are monumental, and there's going to be—I have got to leave. Bye. I can talk all day.

Dr. REYNOLDS. Thank you for your presence here today.

Mrs. MALONEY. Thank you for having me.

Chairman BAKER. Thank you, Mrs. Maloney, and we very much appreciate your courtesy and certainly understand the press of your schedule.

I wanted to visit a point which has come up throughout the conversations today but has not been suggested as a requirement. We have talked about perhaps a requirement that to get a qualified loan applicant that you had to have certain minium standards you would meet in physical assets, staff ratios to children kept, etc.

I don't know, though, that anyone's suggested that we make technical assistance maybe a training course. As Mr. Wunderman pointed out, when the applicant for the commercial loan at the bank acquired it, they were happy, but they didn't know what they were happy about.

Is there a justifiable need for a simple course prior to becoming an approved borrower in the local market: Here are the health safety things you must do, here are the number of kids in your facility with this square footage that you are likely to be able to take charge of, have you thought about what you are going to be able to charge in the market, what your overhead will be, what is your, quote, "profitability opportunity", what kind of debt load can you really sustain given the operations as described in your application?

It seems to me that that level of review—we have well-intentioned people who live in a community and think, oh, I will just take in a few kids and make some extra dollars, but they don't necessarily go through a business plan analysis of whether it really makes sense.

Dr. REYNOLDS. Exactly.

Chairman BAKER. Would making that a criteria of loan approval—maybe the Commission would do it at the national level, set up the local State agency as the provider of the assistance, or someone at the State level, so we don't get national standards for local needs.

Ms. Blakes, do you care to——

Mrs. BLAKES. Yes, I care to address that simply because we have just gone through trying to give out what we thought would be 19 rural grants, but it has taken this long because the persons applying truly needed technical assistance that our agency is certainly not in a position to give.

So I strongly support technical assistance and having some technical assistance prior to—definitely prior to approval, but actually really prior to their completing the process to get the loans and all.

I have mentioned only 11, we have 11 rural grants that we were able to, you know, fund. And it was mainly because of paperwork, because of requirements and all, and we have gone back and forth since January. This is now June, and those that we approved and have signed the contracts, it was not done until May. Until May. It's taken that long. And it was back and forth.

The providers certainly want the funds. The children are in the communities, but it is a matter of technical assistance and some help, some one-on-one also, aside from, of course, general meetings and all. I think there needs to be some one-on-one.

Chairman BAKER. Fannie Mae and Freddie Mac, who provide innovative home financing opportunities, have programs which are built around first-time home buyers. They get special interest rates and even help with down payment programs.

Part of qualifying for that is a course which you must participate in to become an eligible borrower. Habitat for Humanity has a construction program where they go out into the neighborhood and get a prospective homeowner to put sweat equity into the project, actually drive nails and work on the project before they get a chance to own a home and go through a home ownership training course.

If we were to contemplate something of this sort as a requirement, I would not want to see a Federal agency taking on the multi-State roll of training prospective day care providers. Who is the target? Who is the person, organization, or group that we encourage to do this role as a part of or prior to loan approval processing?

Anyone have any thoughts on that? I don't know that we want to create a new bureaucracy to do this, but it seems like it's very badly needed.

Dr. REYNOLDS. Yes, but NBCDI's New Orleans affiliate wanted to take that on. As a business person, I would have welcomed a seminar, a course in helping me to pull together a business plan.

Chairman BAKER. But how would I describe NBCDI in Federal legislation? Tell me what that is. What kind of entity is it, or how did it come into existence?

Dr. REYNOLDS. OK. It's the National Black Child Development Institute, and we are just an affiliate in New Orleans.

Chairman BAKER. Are there replications of the New Orleans affiliate all over the State?

Dr. REYNOLDS. All over the country.

Chairman BAKER. Are there others within Louisiana?

Dr. REYNOLDS. No. We are the only one in Louisiana.

Chairman BAKER. Well, my concern would be, say, a Shreveport provider wanting to apply for this low-cost money would have to be pre-approved by going to an education program, they may not

think it worth the drive to New Orleans to be pre-qualified. I don't know that.

Dr. REYNOLDS. But we could go to where they are.

Chairman BAKER. OK.

Dr. REYNOLDS. I do that now in terms of training.

Chairman BAKER. And other similar affiliates of your organization around the country that are like-minded, willing to do that?

Dr. REYNOLDS. I can't speak for them, but I know at the national level that could be one of the great concerns, because we are concerned about technical assistance. That is very, very important.

Chairman BAKER. We are going to throw a lot of good money after bad if we don't, I think.

Dr. REYNOLDS. I agree with you.

Chairman BAKER. Mr. Kanjorski.

Mr. KANJORSKI. Yes. I would add, Mr. Baker, that you've got your finger right on one of the crucial points here. Because we have so many Government programs that the people that are going to implement them and perform them in the field haven't the foggiest idea how to get through the index system, which is not only average people that are constituents in Louisiana but Members of Congress who don't know what programs the Government has because there are so many programs and they are just confused.

Do you have Small Business Development Centers in Louisiana?

Dr. REYNOLDS. The University of New Orleans provides a Small Business Development Center.

Mr. KANJORSKI. I wonder whether or not that would be—I know that the care is going to be down into communities in five and ten children at a time, and sometimes not necessarily the most sophisticated individuals in the world who would be able to go through the maze, if you will, but it is essential.

It's something that—incidentally, an analogy to it, with the American Heritage Curve that I know Mississippi is going to participate in, but one of the great things there is we are developing a navigator to work within the community to bring people, bring partnerships for the Federal, State, and local governments together, and then show the way, if you will.

I have always been one of these people that is convinced that economic development and community needs, we need navigators. Sometimes we have these programs, and the only people that get to the program are the brightest, the most acutely aware of what's going on in the Federal, State, and local level, and there are often people that need it the least.

Are you trying to get a word in, Mr. Wunderman?

Mr. WUNDERMAN. Yes. I was just thinking, I think you'd find if you investigated it that in the different 50 States there's probably different organizations or some public or some of the State governments themselves that have this expertise.

So maybe part of the block grant programing that you provide would determine that the technical assistance for loans was part of the package, and then I think the States could determine on some kind of proposal or bid basis that they could determine which organizations in the State might provide that assistance.

In New Hampshire, certainly the New Hampshire Community Loan Fund, I would be confident if I were the governor of that

State contracting with them to provide that technical assistance because I know they could do it.

That similar organization might not exist across the border in Vermont, but I think you would find that it does in some States and in some larger—or maybe some cities could do it, but at least the States would have control over it, but it would be a requirement that that kind of assistance occur, and I think we all agree it's necessary.

Mr. KANJORSKI. Part of the problem I sense with Ms. Blakes' and Dr. Reynolds' testimony is how you get these people that have the need even to the Government, the contractor to get the—I mean, it's very difficult.

I was trying to think of a program the other day. I will tell you about it and venture to say that probably 75 percent of our colleagues don't know about it. How many people have ever heard of the North American Development Bank?

Chairman BAKER. I haven't.

Mr. KANJORSKI. It's part of NAFTA. And I happened to learn about it because one of my counties qualified from the loss of trade because of NAFTA. You know, if one of my constituents had called me, I wouldn't have known. This thing is located in Los Angeles somewhere, you know, in a tall building out there and has a couple hundred people working over statistics, but nobody ever knows about it.

This idea of how you access things—can I just take a few more minutes?

Chairman BAKER. Yes. Absolutely.

Mr. KANJORSKI. I was impressed with Dr. Reynolds' testimony on how we get to the standards. I think we have to have standards. I am not sure we can legislate them, because it takes some sort of sensitivities to do it.

I would probably prefer, and I think Mr. Baker would, if we had a nongovernmental agency participating in a big way of drafting and making the standards instead of bureaucracy creating, which nobody can read or understand if we do that.

And you mentioned there are several institutions that have taken that course on to——

Dr. REYNOLDS. Wheelock College with the Family Day Care, and NAEYC, National Association for the Education of Young Children.

Mr. KANJORSKI. Would you feel comfortable if in the legislation the secretary were empowered to designate one of these nationally recognized institutions to establish standards?

Dr. REYNOLDS. Yes, but I would also like to work with them.

Mr. KANJORSKI. But I mean, is that the way it could be done?

Dr. REYNOLDS. It could be done, yes. But in Louisiana, I would like to participate in that.

Mr. KANJORSKI. I am sure with Mr. Baker you are going to get a chance to participate.

Dr. REYNOLDS. Thank you.

Chairman BAKER. Let me follow further. Trying to get a net over the concepts, we have talked about the need for minium standards in order to be a qualified borrower both as to the in physical structure, life safety, staffing, and now technical assistance.

Dr. REYNOLDS. Right.

Chairman BAKER. What we have not concluded is that the Congress needs to adopt those standards in a bill which says you must do the following in Louisiana or Wyoming or Pennsylvania, but that standards should be set by some State authority that assures minimum life safety, health, educational achievement standards, whatever that might entail.

Further, we would then identify some group by function, not by name, as Mr. Wunderman has indicated, that could be identified in each State, maybe by the governor's office, as being the appropriate mechanism to establish these standards and to be the navigator, as described by Mr. Kanjorski, to help individuals make it through the process.

Let's face it, even if 3637 were passed tomorrow morning, most people in child care would not have any idea about its passage or what opportunities it may offer.

Dr. REYNOLDS. Exactly.

Chairman BAKER. So we have to have some well-informed individuals in the business community to help implement it.

And then finally, a possible additional step is visiting the CRA provisions, Community Reinvestment Act, and perhaps within income limits, allowing certain child care credit extensions to be considered as CRA qualified activities as Mr. Wunderman and I have suggested. That may well do a great deal to help banks take another look at child care credit extension.

Is there any other point that perhaps has been made that you think important for me to recite at this juncture? Anything further?

Mrs. BLAKES. I would like to make one other point with regard to standards. I support national standards, but you have to allow States some flexibility, and you also need to allow States—flexibility is given by way of waiver whereby the Federal authorities are looking over what you are asking for with regard to those standards.

But I know just from experience in other programs that we deal with, when you have no flexibility at all with regard to a regulation, it makes it very difficult on a State sometimes to implement that particular requirement and to carry it out. And we need to succeed with this, and in order to be able to succeed—and we are seeing it with regard to welfare reform, both at the national level as well as the State.

We have to work together and then we work with the communities, you know, within the communities in order to meet what the need is. So we definitely need standards.

Look at the Food Stamp Program. I mean, a child that is hungry in Louisiana and a child that is hungry in Mississippi, they are looked at in the same manner because of some standards in the Food Stamp Program.

I think the care of our children is just as important as giving them food. So, of course, we need some standards that are perhaps the same across the board, but give us some flexibility.

Chairman BAKER. I think I share your concern for States' Rights very strongly. My point is that the Federal guidelines would be only that the State shall establish standards for whatever you think is appropriate at whatever level.

Perhaps health safety minimum standards might be national, that you shall have a fire extinguisher or you shall have a way to get out, those kinds of things. But beyond that, certainly no programmatic regulation and certainly allow any State to exceed those standards, but then have standards implemented at the State level as to who becomes a qualified borrower.

Dr. REYNOLDS. Exactly.

Chairman BAKER. So that taxpayers know that when the money is granted, there will be an improvement, not what I heard today where one out of three providers, family providers, may, in fact, be making the child's condition worse, which was very distressing to hear.

Let me express my deep appreciation to the members of this panel. We have gone beyond our expected time. And to all the panelists who participated.

I thought since the media has pretty well left—our court reporter is still working—by the way, everybody who said something today, it will be part of the hearing record. Whether that makes you happy or not, that is the way it is.

Dr. REYNOLDS. We knew that.

Chairman BAKER. But since we have gotten—we are certainly no longer formal, I know that we have had members of the Junior League who have been most helpful in formulating today's activities, particularly Sara Turner who could not be with us, but Karen Cutrell—oh, Sara is here. I thought you were not going to be here. I am sorry.

I thank both of you particularly for your work. I know we have had some representatives here this afternoon from the Head Start Program who weren't on the panel. Are those officials still here today, members representing Head Start? Just raise your hand.

Any other organization which is still here obviously very interested? Anyone else representing a particular group in the community who is here today that would like to be recognized? Just raise your hand.

If not, I want to thank you all.

Mr. KANJORSKI. Mr. Chairman.

Chairman BAKER. Certainly, Mr. Kanjorski.

Mr. KANJORSKI. Mr. Chairman, I would like to make the point, first of all, to tell you how much more of a pleasure this is to have a hearing in a place like Baton Rouge, Louisiana than Washington, DC., first of all. You talk to honest, real people that have real problems and they want to solve those problems.

Two, it's so much more interesting because Mr. Wunderman knows that the hearing we had in Washington, I looked around the room and I saw 90 of these white and black guys but very few females, guys wanting child care.

I look around this room, and I see an awful lot of women present, understanding they have an increased—not only an interest, an intention to participate. I thought it was a lively discussion, great contributions and ideas.

I wish I had another hour or two. We could go on and have a round table. I look forward to—we are going to have some other things, and maybe I can talk to some of the individuals, because I think it's great.

And most of all, Mr. Chairman, I want to compliment you first for being a cosponsor of this legislation, being sensitive to this issue and the fact that philosophically and politically we come from different sides of the proposition. It speaks so well about the American representative system.

And speaking now as a Northerner, so often we have a tendency to look down to the South and just take for granted that we always have the better solution to every problem. I want to say that I haven't heard any better solutions offered anywhere in the United States, including Washington, to this problem than right here in Louisiana.

So thank you very much, Mr. Chairman.

Chairman BAKER. Thank you for your kind comments, Mr. Kanjorski.

I have said it repeatedly, but most of you should know how very difficult it is to get a Congressman either out of Washington or out of his home district to go anywhere for any purpose, and it was a high compliment to our community today to have someone from New York and Pennsylvania spend an afternoon—and let me make that perhaps a little bit more clear, spend last night getting here, today in the hearing, and either tonight or tomorrow morning getting home. So they took considerable time from their schedule in order to make this hearing a reality.

To each of you, thanks for your courtesies. If anyone chooses to have a copy of the testimony or any of the other witnesses' statements, please let my office know. We will try to make that available to you. But thank you for your courtesies, and I look forward to visiting with each of you soon.

Dr. REYNOLDS. And, Mr. Chairman, before we leave, I would just like to thank you, Mr. Kanjorski, and Mrs. Maloney for your concern for children and families.

Chairman BAKER. Thank you very much. We appreciate your courtesy.

The hearing is adjourned.

[Whereupon, at 4:34 p.m., the hearing was adjourned.]

APPENDIX

June 26, 1998

Opening Statement of

Rep. Paul E. Kanjorski

Ranking Democratic Member

Capital Markets, Securities & Government Sponsored Enterprises Subcommittee

House Committee on Banking & Financial Services

Field Hearing on H.R. 3637
The Children's Development Commission Act

Baton Rouge, Louisiana

June 26, 1998

Mr. Chairman, I have heard you extol the virtues of Baton Rouge for many years, but until today I never had an opportunity to experience them first hand. I am delighted to be in your fair city, and to hear from this eminent panel of witnesses on child care issues. All too often we in the Congress only listen to the advice of self-appointed experts who live inside the Washington beltway. Today we will hear from women and men who live "beyond the beltway" and who can speak from first hand experience.

In Washington, we also notice that the spirit of bipartisanship is more often invoked than practiced. Today the spirit of bipartisanship will be actually practiced, which is appropriate because the child care problem is neither a Democratic problem nor a Republican problem, it is a universal problem. We all want the best possible care for our children.

Today's hearing will focus on H.R. 3637, ***The Children's Development Commission Act***, legislation introduced by my distinguished colleague Congresswoman Maloney of New York. Congresswoman Maloney, the Subcommittee is honored to have you here with us in Baton Rouge today.

My friend and colleague, Chairman Baker, is the prime Republican sponsor of ***The Children's Development Commission Act***, and I am honored to join him and Congresswoman Maloney as one of its original cosponsors.

Mr. Chairman, one of the most significant changes our society has undergone in the last two decades is the dramatic increase in both the numbers of two wage earner families, and single parent families. In some families, two jobs are necessary to make ends meet. In others the change reflects the growing opportunities available to women in today's society. All of these

trends are likely to continue. The passage of the Welfare Reform Act in the last Congress will further accelerate the need for additional child care facilities.

While there have been a number of child care initiatives introduced in this Congress to deal with the demand side of the child care problem, this is one of, if not the first, bill to deal with the supply side of the child care problem. *Our witnesses today will offer clear and convincing evidence that despite the increasing demand for child care services, obtaining financing for new child care facilities and the upgrading of existing facilities is not easy.* Financing is particularly difficult for non-profit and start-up entities to obtain.

The Children's Development Commission Act addresses this problem by providing mortgage insurance for building or upgrading child care development facilities. It also facilitates the acquisition of fire and liability insurance, establishes a program to provide loans of up to $50,000 for reconstruction and renovation of existing facilities, and creates a foundation to support research and fund pilot projects to test innovative methods for improving child care. None of these concepts are new; the Department of Housing and Urban Development, for example, has had a similar guaranty program for senior citizen housing projects for many years. Thus this legislation simply applies tried and tested programs to an emerging problem.

The Children's Development Commission Act will not solve all of our nation's child care problems, but it is an important building block in any comprehensive effort to address this pressing problem.

We have an extremely distinguished group of witnesses today who will provide clear and convincing evidence that the child care problem is real, and needs our attention. I commend all of our witnesses for their leadership in this field, and for caring for those who are too young to vote, and sometimes even too young to articulate their needs, but who are the future of our nation. Baton Rouge, the State of Louisiana, and our Nation are better places to live and raise a family because of their efforts.

Child care is an issue which transcends party, ideology, background and region. It is a truly American problem which deserves a truly American solution – joining hands together to pass H.R. 3637 as quickly as possible.

Mr. Chairman, thank you for holding this hearing and for assembling this excellent panel of witnesses. I look forward with great interest to hearing their testimony.

BEST COPY AVAILABLE

Opening Statement of Rep. Carolyn B. Maloney (D-NY)
Before the Subcommittee on Capital Markets,
Securities and Government Sponsored Enterprises
of the House Committee on Banking and Financial Services
June 26, 1998 Baton Rouge, Louisiana

Mr. Chairman, I would like to publicly commend you on your commitment to this issue as well as your holding this field hearing. When we discuss an issue such as child care, we must truly go out "in the field" to see how family life is being affected by current conditions, and I am pleased to be here in Baton Rouge to explore this issue more fully. And I am pleased that our colleague from Pennsylvania, Mr. Kanjorski, has joined us here today. He is an original co-sponsor of the Kiddie Mac legislation we are discussing here today, as well as one of the most thoughtful members of the Banking Committee.

The realm of child care is changing year-to-year. As each state implements its version of welfare reform, as more women are entering the workforce, and as more states begin to pass universal pre-K care, we need quality places for children to go. The problem is that despite the increased demand for child care slots, the market is not responding.

Our purpose here today is to find out why the private sector is not responding to the need and to ask people here in Louisiana who work in the child care arena what problems they have encountered and where they think they need assistance.

I have been working with Mr. Baker over the past few months developing the "Children's Development Commission Act" or "Kiddie Mac," which is focused on reducing the risk to lenders who issue loans to child care facilities. This bill, H.R. 3637, was forged through discussions with child care providers, researchers and the financial community. I look forward to hearing from witnesses here to see if they have any thoughts and suggestions which may help us improve this bill.

I know that from my own district, in New York City, the impact of welfare reform on the city's children is daunting. The New York State Comptroller issued a report on the subject which concluded that by the year 2001, because of welfare-to-work programs, the city will need places for 61,000 children to receive care, and it will not have space for 33,000 of them. This is a pattern which I am sure is repeated across the country, and I am sure there are similar statistics for Louisiana.

It is up to us to respond to the reality which these statistics describe **now** before the problem grows ever larger.

The Kiddie Mac bill on the table here authorizes HUD to issue guarantees to private lenders for loans for the construction, rehabilitation or long-term mortgages for child care facilities, but only after they have been certified by the newly created "Children's Development Commission" or "Kiddie Mac." The Commission will make certain that the proposed loans are up to standards and are viable; those which pass muster can get the guarantee. The guarantee will be for up to 90% of the loan, 95% for non-profit organizations. The idea is that if the loans involving child care seem too risky, by reducing the risk, the market will do the rest.

The Commission will have other responsibilities as well. It will examine the best way to provide affordable fire and liability insurance. It will also make small-purpose loans for providers who need to make smaller changes to get their facilities up to code. There will also be a foundation which will publicize the guarantees and study child care in this country.

Kiddie Mac will facilitate the creation of more quality places for children. Combining it with other federal and state assistance programs should spur construction in lower-income communities as well as the rest of the country. By increasing the supply of quality facilities through a loan guarantee program, two crucially important problems facing parents at **all** income levels will be addressed. Increasing supply will make it more likely that child care will be located closer to one's home or job. The more providers that can set up business in a community , the better chance parents will have of being near one.

Another issue is quality. One study of child care centers in four states found that 86% of centers examined provided only **mediocre or poor quality services**. Some child care experts have called many of the care arrangements in this country "child storage" as opposed to care. Kiddie Mac will raise the quality of care in the U.S. by only giving guarantees to certified facilities, establishing national standards of quality, and assisting existing centers in coming up to these standards.

The idea behind creating the Commission is to make a "one-stop shop" for child care providers who wish to build or improve their care facilities... one place in government which will focus both on access to child care and the quality of that care.

I look forward to hearing the experiences of the witnesses before us and I look forward to their comments on the bill and the child care environment in general.

facsimile
TRANSMITTAL

to: Ted Beason in Congressman Baker's Office
fax #: 929-7688
re: Hearing
date: June 25, 1998
pages: 2, including this cover sheet

Comments

Dear Ted

Enclosed is the information you requested I will see you at the hearing

---

Testimony

There is a critical need for quality, affordable, accessable early care and education (child care) that meets the development needs of children particularly during the formative early childhood years Quality infant and toddler (as well as all) care is staff intensive, expensive and requires appropriate facilities and equipment for appropriate care that will promote the future growth and development of children Current brain research indicates that it is crucial to maximize the developmental 'windows of opportunities' for young children if their full potential is to be reached Quality child care now plays a pivotal role in assuring that our children get a good start and are prepared for the future

Special consideration should be given to facility and staff training needs for children with disabilites Recommend that if a commission is to be formed that it should seek to integrate current federal initiatives

From the desk of...
ISTROUMA TEEN LEARNING CENTER
CHARLOTTE S. PROVENZA
4643 Wilbourne Ave
Baton Rouge, LA 70805
357-3573
Fax 357-4105

BEST COPY AVAILABLE

Gail Bohannon Kelso Baton Rouge, LA June 26, 1998

From my perspective as an early childhood professional and practitioner since 1975, I wish to offer this testimony in support of H R 3637 My entire career has been in child care I have participated in the care and education of young children in Florida, Massachusetts, Virginia, and, for the last fourteen years, in Baton Rouge I have seen the impact of child care on families As the Director of an employer-supported child care center, I know the positive force that responsive child care has on the work-life of families I have also heard the stories of care which sends parents to work wondering about their choice and worrying about their children The need for child care which meets the child's needs for consistent, responsive, appropriate care and the family's need for support and affordability is tremendous and well-documented As a member of the Licensing Committee, I have heard the list of deficiencies which so often include facility design and maintenance problems in addition to issues of quality such as child - staff ratio, staff training, supervision, record keeping, and the lack of liability insurance

This bill could increase the number of child care facilities which offer appropriate spaces for our youngest children to spend their day With the needed financial support, child care providers could expand their services Facilities built (or renovated) for children and family-friendly spaces would offer the first step in meeting the growing need for child care These facilities could include the security needed to offer care during the evening and night hours when so many parents are able to find employment Space could include areas where older children (even middle-school age) could be safe but offered choices which assist with academic skills as well as developing interests such as cooking, sports, and computers

No one can today consider operating a service like child care without concerns related to liability and litigation The cost of insurance has prohibited potential providers from entering the field as well as prevented providers from expansion

It is my hope that this bill could have a positive impact on child care quality It is well-documented that child care of high quality has positive effects on children and their families It is equally well-documented that very little of the care available in our state and many others is of high quality Quality is seen in programs where children are cared for with respect to their culture and wishes of their family Quality is represented in adults who are responsive to infants and toddlers with consistency and constancy Quality is observed in activities for children which are appropriate for their age and individual abilities This can only be done when those adults remain in child care and continue to receive training Low wages and the demanding work of early care and education should not be synonymous

While the ability to ameliorate the low wages so pervasive in child care is beyond the scope of this bill, the Commission described could enhance program quality A foundation could not only research issues in early care and education but also assist providers in the process of continuous quality improvement and program enhancements for children and families The Commission is most definitely needed as a guiding force in the development of both policies and pathways which will guarantee and enhance the potential for success of the child care it has built

It is absolutely vital that we do not neglect the quality of the service which we are seeking to make more available and affordable. There will be child care - whether in churches, for-profit chains, school-based, or in family child care homes. The compelling question is whether child care will meet the needs of the society by allowing more parents to work or will it meet the needs of the children. It must do both. If we fail to find ways to improve the quality of the child care we create, we will find that the children we claim to serve are our unintentional victims.

Please use all the information and experts available to match the availability of funds with support and requirements for program design, policies, and administration. It is better to go slowly with the future of our children than to look back and wish it could be done again.

Testimony
Given by
Janie Starks
June 26, 1998

Parents are entering the work force now more than ever. In 1997, there were 10,610,000, or 65% of all women, in the work force. These women had children under the age of six. The jobs they find are often on the lower end of the wage scale. They also require parents to work during non-traditional hours. Many of these parents are single and may not have available family support for child care. To facilitate parents entering the work force, accessible, affordable, quality child care needs to be readily available.

Family child care homes provide one child care option for families who find it necessary for both parents to be employed. An additional incentive is that family child care homes allow women who choose to stay home with their own children an opportunity to earn an income by keeping other children in their home, if they choose to do so. A home setting, more flexible hours, and the convenience of a neighborhood location make family child care homes a viable alternative for care. Family child care has the potential to be more sensitive to individual family needs and thus to be more supportive of families. Two groups of families use family child care homes: mothers that are employed part-time and families with children under the age of three.

The image of family child care homes by some is that of custodial care, babies in cribs with propped bottles and young children in front of the television with little interaction from the caregivers. In a 1994 study conducted for the Families and Work Institute, it was reported that one in three family child care homes provided care that could conceivably hinder the children's development.

As proposed in the pending legislation, the 'small purpose' loans would benefit the family child care home provider. Young children need stimulating environments in which they can develop. The loan could be used to supplement play materials, as well as provide a variety of experiences for the children in care.

Family child care homes are highly privatized in funding. Additional funding services, which would be available to them, could only make a situation that is mediocre at best, better.

All child care settings must operate as a business, including family child care homes. One element of a well managed business is adequate insurance coverage. In conversations with child care providers, the availability and expense of insurance is a reoccurring concern. This is especially true of family child care homes. They are typically operated on a low budget. Providers often earn very low wages, some even below poverty guidelines. By furnishing a system by which providers would be eligible for liability and fire insurance, one obstacle to their supplying care for children would be removed.

Child care providers, especially in family child care home settings, as a rule are not adequately trained to care for children in group settings. More than half of the states do not require training before providers care for children in family child care homes. One of the most critical elements in improving children's experiences is staff education and training. Through the provision of additional training opportunities for family child care home providers, which follow the basic principles of adult learning, quality in these settings would be favorably effected. Training also has a positive effect on provider behaviors when interacting with young children.

The establishment of the Children's Development Commission Act, which would meet the needs of not only the family child care home provider, but of all child care settings which families use to provide care for their children, would support quality child care for all of America's children.

RESOURCES

The State of America's Children Yearbook 1998. Children's Defense Fund. Washington, DC.

Kontos, Susan (1992). *Family Day Care: Out of the Shadows and Into the Limelight*. NAEYC. Washington, DC.

House Banking and Financial Services Committee
H.R. 3637, the Children's Development Commission Act
Testimony, June 26, 1998
Louisiana Office of Family Support

The Children's Development Commission Act proposes to offer guaranty insurance to lenders for existing and potential child care facilities, in an effort to increase the supply of affordable, high quality child care. In this era of Welfare Reform, it is vitally important that such child care be available to meet the needs of families attempting to leave welfare through employment and training efforts, as well as other low income families who are striving to get and keep jobs that will let them remain self-sufficient, and avoid welfare dependence. Parents need to have confidence that their children are in safe and caring environments, so that the parents can focus their attention on the demands of the job. Children need a warm and responsive setting that will challenge them to grow and develop to their greatest potential, so that they will be ready to succeed in school and in later life.

The child care industry has traditionally operated with very limited financial support, doing less with more and being creative and innovative in stretching their meager resources to the utmost. Many families are unable to afford the true costs of child care, and so the child care providers have done everything possible to make the services available even when the funding was lacking. However, research bears out the fact that it costs money to attract and keep the kinds of caregivers children need most, people who have made an investment in their careers and in the education and training needed to be effective as a caregiver. If child care is to help form future generations of citizens, it can no longer afford to operate "on the cheap". Any programs that can be implemented to reduce the costs of the child care infrastructure so that funds are available to invest in better staff and training will be efforts in the right direction.

The Commission proposed in H.R. 3637 would serve as a catalyst for construction and development lending to improve the number and quality of child care facilities nationwide; it would also establish a foundation to research issues in early childhood development, fund pilot programs, and produce educational materials. All of these activities would focus much-needed attention and resources on the issue of child care, which has been neglected or taken for granted for many years now. The Commission should also collaborate with the professional organizations and governmental agencies already dedicated to the cause of improving access to high quality child care, so that there is a minimum of duplication of efforts.

Currently, child care facilities in Louisiana must be fully completed and ready for operation before they can be licensed, and they cannot begin to serve children until all inspections (Fire Marshal, Sanitarian, Zoning, Licensing) have been successfully completed. This means that the individual or group that is developing the facility must have sufficient funding to complete all construction and furnishing, before any cash flow can be expected from fees charged to parents. This can be a major obstacle to community-based or non-profit organizations that do not have significant resources from a parent organization or other supporters. Child care facilities planned for low-income communities or neighborhoods may have difficulty qualifying for financing because of the uncertainty that the enterprise will generate enough income to repay its debt.

Existing child care facilities may be in need of substantial funds to fully serve the diverse needs of their customers, especially now that facilities are being called on to provide more infant and toddler care, more late hour and weekend care, care for children with special child care needs, and care for mildly ill children who need to be separated from the others. All of these additional uses take their toll on the physical facility. The availability and affordability of liability and fire insurance for child care facilities is not known by this agency; however, it is probably reasonable to assume that each expenditure item is a potential crisis for programs that are watching their every penny.

The Office of Family Support, in the Louisiana Department of Social Services, is the lead agency responsible for administration of the Child Care and Development Block Grant, which makes over $53 million in federal funding available each year for the purpose of increasing the affordability, availability,

BEST COPY AVAILABLE

and quality of child care in the state. With this funding, the agency is providing child care assistance to over 35,000 low-income children each month to enable their parents to work or attend educational or training programs. Earlier this year, grants were awarded to providers in 11 rural parishes to provide assistance with start-up costs associated with opening new day care centers or expanding existing facilities. Plans are underway to implement a child care career development system and a scholarship program, to assist those interested in advancement in the child care profession.

The Temporary Assistance for Needy Families (TANF) block grant, which provides cash assistance as well as employment and training services to vulnerable families, is also administered by the Office of Family Support. Thus, we have a double mission to assure that low-income families have access to the child care they need in order to become and remain self-sufficient. As such, we support any new initiative that will help to keep child care a viable resource for families.

National Black Child Development Institute
New Orleans Affiliate
7400 Morrison Road
New Orleans, Louisiana 70126
(504) 242-2014

Charmaine Tolton Gray, President — Dolores T. Aaron, President Emeritus

TESTIMONY OF THE NATIONAL BLACK CHILD DEVELOPMENT INSTITUTE (NBCDI) NEW ORLEANS' AFFILIATE

SUBMITTED TO

THE HOUSE BANKING SUBCOMMITTEE ON CAPITAL MARKETS, SECURITIES AND GOVERNMENT SPONSORED ENTERPRISES

ON H.R. 3637, THE CHILDREN'S DEVELOPMENT COMMISSION ACT

JUNE 26, 1998

I am grateful for the opportunity to provide testimony on the Children's Development Commission Act on behalf of the National Black Child Development Institute's (NBCDI) New Orleans affiliate. I am Carolyn Reynolds, owner and president of Reynolds Academy Preschool, Incorporated in New Orleans and trainer of child care personnel in Region One. I am also an active member of NBCDI. For the past 27 years, NBCDI and its nationwide affiliate network have worked to improve and protect lives of African American children and families by focusing on the areas of early care and education, health, child welfare and education.

NBCDI recognizes that throughout the entire process of development, the brain is affected by environmental conditions, including the kind of nourishment, care surroundings and stimulation a child receives. In addition, the preschool years are critical to laying the foundation for future learning.

NBCDI supports the objective of the Children's Development Commission Act (H.R. 3637) to increase the availability of quality child care. This is a critical need given: 1) the developmental needs of young children; and 2) the demand for child care among working parents, exacerbated by the work requirements of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. In 1994, the most recent year for which Census Bureau data are available, more than half of children under age 5 (10.3

million) were in need of child care while their mothers worked. The labor force participation rate of women with children under 6 increased from 39 percent in 1975 to 65 percent in 1997 (U.S. Dept. of Labor). Parents need access to affordable, high quality child care to stay in the work force.

H.R. 3637 would expand the availability of quality child care by: 1) offering reasonably priced liability insurance to child care providers to prevent the cost of insurance from becoming a barrier to starting a child care facility, 2) making loans more readily available to child care providers for the construction, expansion and improvement of child care and development facilities. My personal experience points to the need for this kind of financing strategy for child care. In 1984, I presented a business plan to the Small Business Administration to purchase a building to house a child care facility. My plan was rejected. I also presented the business plan to several banks and was again rejected. These financial institutions viewed the child care business as a liability. In order to fulfill my business goal, I borrowed money from my life insurance and started a quality child care facility in New Orleans, Louisiana.

NBCDI is pleased that the legislation provides four mechanisms for improving the quality of child care. These mechanisms include: 1) the establishment of federal standards and requirements by the Department of Housing and Urban Development regarding child care and development facilities, designed to ensure that mortgage

insurance is provided only for high quality facilities; 2) the requirement that the Children's Development Commission must certify that child care facilities are in compliance, or will be within 12 months, with local, state and federal child care standards as a condition for HUD to insure mortgages; 3) the provision of small purpose loans to help child care facilities improve the quality of their care; and 4) the establishment of a foundation to support research relating to child care and development facilities, to fund pilot programs to test innovative methods for improving child care, and to engage in public education activities and publish materials to guide those interested in mortgage insurance and other assistance provided by the Commission. These provisions begin to respond to the pressing need to improve the quality of child care.

THE NEED TO EXPAND THE AVAILABILITY OF HIGH QUALITY CHILD CARE

Lack of quality child care has been well-documented by research (Helburn, et al., 1995; Galinsky, et al., 1994). This is particularly troubling within the context of brain development research that confirms the first three years of life are critical to the healthy development of children. Lack of a stimulating environment during these early years can have a long-lasting impact on children's development, (Carnegie Task Force on Meeting the Needs of Young Children, 1994).

In the State of Louisiana, quality child care continues to be difficult to come by for parents in many low-income neighborhoods.

In Louisiana, and specifically in New Orleans there is a shortage of quality child care facilities for infants, sick children, children with special needs, and school-age children (before-and after-school care). There is algo a growing shortage of child care for children whose parents work non-standard or flexible work hours.

The quality and safety of child care varies widely between states. A recent national survey by Working Mother magazine, identified the Ten Best States providing high quality in child care. Each state was rated on quality, safety, availability and commitment (Holcomb, et al., 1997). (Evelyn K. Moore, President of NBCDI, was a member of the National Panel of Experts that helped choose the Ten Best States for innovations in providing high quality child care). Louisiana, along with Mississippi and Idaho, ranked at the bottom of the list of states. However, some initiatives have been made to upgrade the quality of child care in Louisiana, such as: 1) creating a career-development program for child care workers, 2) designing new caregiver training programs and 3) offering courses at local universities and community colleges, and state resource and referral agencies, to interested caregivers. H.R. 3637 could be one of the catalysts to bring high quality child care to Louisiana.

Research indicates that "states ... with more demanding licensing standards have fewer poor-quality centers; centers that comply with additional standards beyond those required for basic licensing (such as those required for funding or accreditation)

BEST COPY AVAILABLE

provide higher quality services" (Helburn, et al., 1995). Therefore, NBCDI recommends that the Department of Housing and Urban Development adopt the accreditation system of the National Association for the Education of Young Children. This is a professionally sponsored national, voluntary system that represents the consensus of the early childhood profession regarding the definition of a high quality program for young children (NAEYC). In addition, NBCDI recommends that the Department of Housing and Urban Development also establish standards regarding family day care that reflect a national, voluntary accreditation system such as the one being developed by the National Association for Family Child Care and the National Family Child Care Accreditation Project at Wheelock College, Boston, Massachusetts.

EXPAND FUNCTION AND REQUIREMENTS REGARDING SMALL PURPOSE LOANS

NBCDI's second recommendation is to expand the function of small purpose loans to include helping facilities comply with local and state licensing and registration standards and federal standards. Additionally, this subsection should be amended to state that loans shall be made only for such facilities that will comply with local, state and federal standards of quality no later than 12 months after certification of compliance by the Children's Development Commission. These changes, combined with the current language of the subsection, will ensure that small purpose loans will function to improve the quality of child care.

PROVIDE TECHNICAL ASSISTANCE TO CHILD CARE AND DEVELOPMENT FACILITIES

NBCDI's third recommendation is to provide a mechanism in H.R. 3637 for the provision of technical assistance to child care providers seeking loans. The importance of providing technical assistance as an integral part of child care financing has been supported by my own experience in the child care field, as well as by research based on financing strategies for child care facilities (Mitchell, Stoney, Dichter, 1997). In addition, providing technical assistance is an important strategy for increasing the comfort level of lenders considering providing loans to child care providers. Equally important as providing loans to child care facilities, is providing technical assistance to help providers qualify for loans, and use the loans to effectively manage child care and development facilities and increase the quality of child care.

NBCDI New Orleans affiliate recommends that this technical assistance is provided by stakeholders in the community in which the child care facility is or will be located, and who have expertise in early childhood education, and the fiscal and legal aspects of child care. We are proposing the establishment of a Louisiana Coalition for High Quality Child Care, with the NBCDI, New Orleans affiliate serving as the conduit.

The coalition could provide technical assistance to new and existing child care centers and family day care who wish to improve the quality of their services, and strengthen their management

capabilities.

NBCDI strongly recommends that this technical assistance model be one of those adopted by H.R. 3637. The value of technical assistance lies in its ability to accomplish two objectives; 1) strengthen child care facilities financially through the development of a sound business plan; and 2) improve the quality of child care through staff development and training.

CONCLUSION

In conclusion, H.R. 3637 takes an important step toward increasing the federal government and private sector roles in child care financing. However, additional legislation is needed to create other financing mechanisms for child care facilities development, such as grants.

In addition, legislation is needed to substantially increase mandatory funding for the Child Care and Development Block Grant to increase the availability of child care subsidies for low-income families. The Department of Health and Human Services estimates that only 1 out of 10 children eligible for child care subsidies gets them. Due to an insufficient Child Care and Development Block Grant funding level, many eligible families do not receive subsidies and many families who are not eligible still need help meeting the cost of child care. For example, in as many as 37 states, a family of three with an income of $28,000 is not even eligible for a child care subsidy (Child Care Bureau, 1998).

I would like to thank the House Banking Subcommittee on Capital Markets, Securities and Government Sponsored Enterprises for the opportunity to testify on this important legislation. The National Black Child Development Institute looks forward to working with the Subcommittee to strengthen the Children's Development Commission Act so that it is able to improve the quality and availability of child care.

105th Congress
United States House of Representatives

CAPITAL MARKETS, SECURITIES
& GOVERNMENTAL-SPONSORED ENTERPRISES
Subcommittee

of the

Committee on
BANKING AND FINANCIAL SERVICES

HEARING

Baton Rouge, Louisiana
June 26, 1998

Testimony of

JIM WUNDERMAN

Vice President, Corporate Affairs
Providian Financial Corporation

C4

Presentation to U.S. Congress
HR 3637
June 16, 1998
Written Testimony

Mr. Chairman, Representative Maloney, Members of the Sub-Committee, on behalf of Providian Financial Corporation and our CEO Shailesh Mehta, I'd like to thank you for inviting Providian to appear before you today to present our views on this important legislation, HR 3637.

Let me begin by telling you a little about Providian. Our primary business is consumer lending, and our major products are Visa and Master Card credit cards, home equity loans and lines of credit. We also provide high-yield deposit products. We are headquartered in San Francisco and have operations in Northern California, Utah, Kentucky and New Hampshire. We are a public company, traded on the New York Stock Exchange. We currently employ over four thousand, and are among the ten largest bank credit card issuers in the United States. Significantly, Providian is the largest provider of credit cards to persons who are new to credit, or who have problems with their credit histories and thus experience difficulties getting the credit they need to participate in today's financial marketplace.

Providian's Community Reinvestment program has focused on the creation of jobs and the development of affordable housing for low- and moderate-income families. Our experience in community development and our understanding of the economic circumstances of low- and moderate-income families have led us to conclude that for many, employment and home ownership are beyond reach without safe and affordable child care.

As an employer to thousands nationwide, Providian appreciates the value of child care for all working parents. We believe that our success is generated by the commitment and contribution of our employees, many of whom depend heavily on child care providers. Many of these child care providers are under-assisted, under-financed and often overwhelmed by the very real barriers that stand in the way of assured success.

Child care as a business operates with thin and fragile margins. Adequate provider/child ratios make the business so labor-intensive that the loss of one or two children can put the program under water. Employee turnover is constant, unlicensed competition is relentless, and equipment and facility needs are unique, and therefore, almost useless as collateral. Laws, regulations, and skills of every kind must be mastered, while liability insurance is high priced and often hard to get. In a very real sense, child care lending is not an attractive or even an acceptable option for most financial institutions. Traditional underwriting will not produce anywhere near the supply of credit this business demands.

Child care providers are not strong candidates for traditional loans. Providian understands the importance of credit availability to sectors of society that traditional banking underwriting often deems to be un-bankable. Providian recognizes the cost of and need for quality child care. Child care is an issue affecting working parents everywhere. Our business philosophy is to recognize problems and engineer solutions. We believe that public private initiatives, like Kiddie Mac, will make a profound impact on the accessibility of quality child care. It can play an effective role in the development of much needed credit availability.

So, what can a financial services company, known for engineered solutions, contribute to the challenge of increasing affordable child care in a market that consistently maintains an "unbankable" status?

In October 1997, Providian committed $5,000,000 to improve the quality and availability of child care in New Hampshire. Our $1.8 million grant to the New Hampshire Community Loan Fund (NHCLF) has secured space for hundreds of children statewide, and thousands more children are due to benefit. The first statewide fund of its kind in the country, the NHCLF makes loans to nonprofit organizations, like child care centers, that meet the community needs. Providian's grant will enable the NHCLF to help centers stay open and create more space where it's needed most. Also underway is an in-depth evaluation of New Hampshire's child care needs which is designed to quantify critical child care issues for parents and their children, businesses, government, child care providers, and advocates. The goal is to determine how to maximize Providian's child care commitment and leverage greater support for child care throughout the state. One of our New Hampshire Vice Presidents serves as Co-Chair of Governor Jeanne Shaheen's Business Commission on Child Care.

In San Francisco, Providian recently contributed $400,000 to the Child Care Facilities Fund (CCFF). The CCFF is a unique public/private partnership geared toward improving the access to and the quality of child care in San Francisco by providing zero or low-cost financing opportunities to child care providers in order to meet one-time capital expenditures. The goals of the program are to help child care providers stay in business, go into business and provide higher quality care. Initially, the fund has been organized into two programs, a Family Child Care Assistance Program that provides small grants to family based child care providers, and a Child Care Center Assistance Program designed to provide low cost financing to nonprofit child care centers for the purposes of improving their quality, safety and overall environment.

Providian is devoted to addressing the child care challenge for our employees and all working parents in the communities in which we do business.

In the first six months, the activity generated by Providian/NHCLF's Child Care Loan program in New Hampshire, has confirmed what our experience as a leading lender to the "unbanked" market had suggested; the child care industry presents a credit challenge to even the most highly motivated community lender. A child care provider's loan

application depicts a small organization that is labor intensive, yet pays wages that generate close to 50% turnover annually. Child care centers are small businesses whose operating expenses depend on modest parent fees, that must remain affordable, and often fundraising to meet operating expenses.

At Providian, we care about child care. We are here today to add that "Kiddie Mac" offers an important tool for lenders who join us in recognizing the importance of these providers to our children and to our businesses.

First and foremost, the loan guarantee provided in this legislation will open doors for child care centers to approach banking institutions to discuss their financial needs. By providing a federal guarantee, Kiddie Mac will help make banks more comfortable with child care providers as borrowers. We're confident that the new dialogue between banks and centers will lead to creative financing opportunities that otherwise would not have been realized.

Secondly, it is especially important to provide a loan guarantee program for non-profit institutions like child care centers, since Small Business Administration loans have not been available to this sector.

Third, low cost fire and liability insurance will help protect the centers and will do so at an affordable price. By reducing insurance costs, resources are freed up for debt repayment and other needs.

Finally, the legislation allows privately funded programs like ours to direct efforts away from guarantees, and to focus on other areas like interest rate buy downs and technical and training assistance, which can be critical to the success of child care center financing.

Clearly, Kiddie Mac is only one piece of the child care puzzle. But it will go a long way toward addressing one of the major unmet needs of the child care industry - access to capital. As we all know, there are other needs to be considered, including child centers' ability to generate revenues, and their need for business and technical assistance.

The legislation you have before you is a good start. By enhancing credit, it will create child care centers which otherwise never would have existed. It will effect expansions that serve more children and more working parents. It will provide for improved facilities, better play equipment, and a safer environment for our children. We urge your support for Kiddie Mac. You have our commitment to work with you to make it succeed.

Attached is a report, commissioned by Providian Financial Corporation, by Dr. Lisa Shapiro, Chief Economist for Gallagher, Callahan & Gartrell, discussing the economy and child care markets. This analysis demonstrates that the child care challenge is multi-faceted and that addressing these challenges will require creative partnerships between the public and private sectors. Kiddie Mac is a fine example of this collaborative effort at work.

New Hampshire Economy and Child Care Markets

An Overview Presented to
Governor Shaheen's Business Commission on
Child Care and Early Education

May 26, 1998

Lisa K. Shapiro, Ph.D.
Chief Economist
Gallagher, Callahan & Gartrell

Sponsored in cooperation with
Provident Financial Corporation

New Hampshire Economy

- Strong Growth, Measured but continued growth forecasted
- Labor markets tight. Unemployment very low and employment growth has slowed recently. Finding and retaining employees among the biggest challenges N.H. businesses face
- Net in-migration still important
- Technical workers at all skill levels in high demand.
- Business face increased pressure to be competitive with greater ties to national and export economies.

Changing Labor Markets
Working Parents

Percent of children < 6 living with working parents

New Hampshire, 1997

United States, 1997

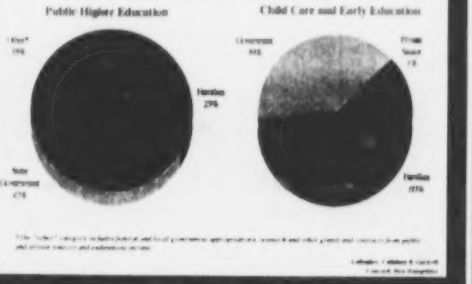
United States, 1970

Changing Labor Markets
Welfare to Work

- More workers and more children in need of affordable, quality child care
  - In 1997, 2,620 welfare recipients entered the workforce in New Hampshire
  - 6,500 additional New Hampshire children will need child care as a result of reforms
- Child care centers employ welfare recipients
  - 80% of for-profit chain centers
  - 40% of independent nonprofit centers
  - 30% of church-sponsored centers
  - 20% of independent for-profit centers

BEST COPY AVAILABLE

Public Money for Child Care and Early Education

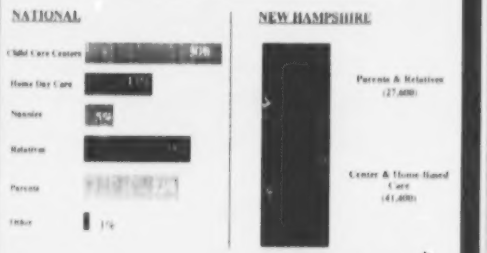


New Hampshire Child Care Market Summary

Annual Revenues	**$85 million**
Employment	**4,500**
Wages	*Median Hourly Wage*
Child Care Workers	*$6.90*
Preschool Teachers	*$9.08*

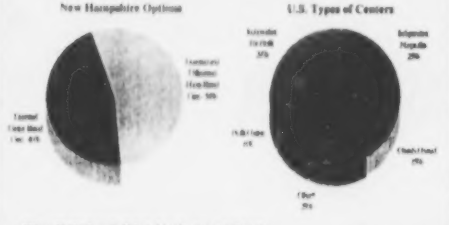
Where Are the Preschoolers?

Child Care For Children Under 6



Industry Structure

Types of Providers



BEST COPY AVAILABLE

Industry Structure

Size

- Total Annual Revenue $30 billion
  - Non Profit $12 billion - Corporate Sponsorships $2 billion
- Number of Children 9 million
- Number of Locations 90 thousand
- Annual Growth Rates
  - Industry Wide 5 % - Corporate Sponsorships 25 %
- Market Concentration
  - Top 50 companies control less than 10 % of the market

Industry Structure

National Employment in Child Care Services

	1996 Jobs	Share of Total	Percent Growth 1986-1996
All Occupations in Child Care Industry	569,300		77%
Executive, Administrative & Managerial	50,750	9%	146%
Professional Specialty	219,115	38%	53%
Technicians and Related Support	888	0%	7%
Marketing and Sales	84	0%	6%
Administrative Support - incl. clerical	105,861	19%	54%
Service Occupations	183,758	32%	130%
Agriculture, Forestry and Fishing	235	0%	-57%
Precision Production, Craft and Repair	760	0%	-61%
Operatives, Fabricators, Laborers	7,833	1%	36%

Top of the Heap?

- Bright Horizons is the nation's largest provider of early childhood education for the corporate market. The company partners with its corporate sponsors to provide services to the sponsors' workforce, on or near corporate premises.
- Bright Horizons is a publicly traded company. The company's revenue has increased at a compound annual growth rate of 38% over the past 5 years to $85 million in fiscal 1997.
- Bright Horizons operates 140 centers, has a licensed capacity for 14,156 children and has 135 clients.
- Occupancy costs constitute about 9% of revenue at Bright Horizons vs. 26% for the for-profit, residential center.

Child Care Financing

Child Care Center Budgets

	Percent of Total	
	Nonprofit	For-Profit
•Revenues		
Parents	55	88
Public Funds	35	10
Other Private Funds	10	2
•Expenses		
Labor	59	62
Occupancy	9	22
Food	5	4
Other Operating, Overhead	7	12
•Surplus or Profit	2.9	5.1

BEST COPY AVAILABLE

Child Care Financing

Child Care Center Budgets (Continued)

	Mean Values	
	Nonprofit	For-Profit
•Percent of children who are subsidized	34	13
•Percent of centers using volunteers	52	21
•Percent of centers with before and after care for school-age children	47	72

Child Care Financing

Change in Sources of Center Revenue (1988-1997)

Sector	Income from Public Funds	Income from Parent Fees
Independent For-Profit	+10%	-9%
For-Profit Chain	+17%	-9%
Independent Nonprofit	-4%	2%
Church-Related Nonprofit	+4%	3%

Child Care Financing

Home-Based Child Care Economics

Number of Child Care Slots	6	5	4
Weekly Charge Per Child	$90	$90	$90
Weekly Revenue	$540	$450	$360
Vacancy Rate	10%	10%	10%
Adjusted Weekly Revenue	$486	$405	$324
Occupancy/Overhead Costs	$185	$154	$123
Gross Profit	$301	$251	$201
Annual Gross Profit	$15,669	$13,057	$10,446

Compensation

Trends in Hourly Wages for Center-Based Child Care Staff

Staff Position	Real Average Hourly Wage 1992	1997	Percent Change 1992-1997
Lowest Paid Assistant	$5.91	$6.00	1.5%
Highest Paid Assistant	$7.03	$7.00	(0.43%)
Lowest Paid Teacher	$7.55	$7.50	(0.66%)
Highest Paid Teacher	$10.13	$10.65	5%

BEST COPY AVAILABLE

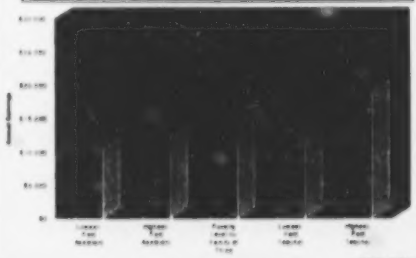
Compensation

Average Hourly Wages by Sector and Accreditation Status

Program Type	Lowest-Paid Assistant	Highest-Paid Assistant	Lowest-Paid Teacher	Highest-Paid Teacher
Independent For-Profit	$6.06	$7.62	$7.36	$11.19
For-Profit Chain	$5.46	$6.21	$5.52	$7.16
Independent Nonprofit	$6.62	$7.79	$8.65	$12.27
Church related Nonprofit	$6.17	$7.18	$7.62	$10.59
Not NAEYC Accredited	$6.20	$7.34	$7.64	$10.75
NAEYC-Accredited	$6.79	$8.52	$8.97	$14.35

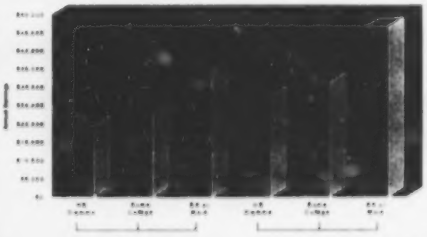
Compensation

Average Annual Earnings of Child Care Teaching Staff



Compensation

Average Annual Earnings of Civilian Labor Force



Child Care Costs

- Percent of Monthly Family Income Spent on Child Care

Annual Income	Share of Income
Under $14,400	25%
$14,400-35,999	12%
$36,000-53,999	8%
$54,000 and over	6%

- Amount U.S. employers lose due to child-care-related absences: **$3 billion** Est. N.H. Losses: **$12-24 million**
- Percentage of employees eligible for employer-assisted child care benefits: **4 percent**

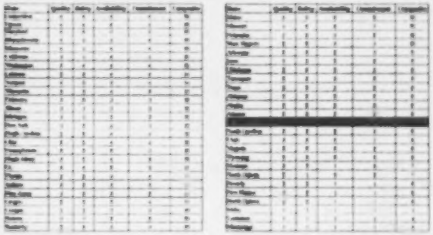
BEST COPY AVAILABLE

Child Care Costs and Quality

- Lowering Costs may not encourage parents to buy better child care

	Average Hrs of Care Consumed	Average Group Size	Average % Trained Providers	Average Staff to Child Ratio
High Priced Markets	30.8	10.3	89%	1:4.5
Moderate Priced Markets	36.6	12.5	85%	1:4.7
Low Priced Markets	45.3	14.7	79%	1:5.12

Quality
State by State Child Care Assessments



Quality
Turnover And Stability

Numerous studies indicate that low staff turnover and administrative stability contribute to higher-quality child care.

Program Type	Annual Turnover	Teaching Staff Remaining 5-10 Years
Independent For Profit	35%	29%
For Profit Chain	45%	20%
Independent Nonprofit	28%	39%
Church related Nonprofit	26%	26%
Not NAEYC Accredited	34%	29%
NAEYC Accredited	20%	53%
All Centers	31%	32%

Corporate Involvement in Child Care
A "One Sided" Introduction

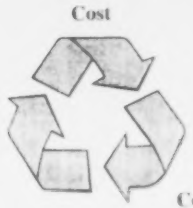
- Percent of Large Companies Involved in Child Care

	1990	*1995*
Work Site Care	6%	10%
Child Care Assistance	64%	53%

- Simmons Graduate School of Business Study
  - 42 % of survey respondents cited child care as an important factor in joining a company
  - 19 % turned down or did not pursue a job because of lack of benefits
- Union Bank
  - savings from reduced turnover and absenteeism were double the cost of subsidizing the center

BEST COPY AVAILABLE

The Policy Puzzle



Governor's Business Commission

Summary of Overview Presentation

Trends

- Tight Labor Markets
- Increased Competition
- Working Parents
- Welfare to Work
- Kids Count

Issues

- Business
- State
- Quality
- Compensation
- Cost/Access

Governor's Business Commission

Summary of Overview Presentation

Some Options for Business

- Corporate Partnerships for on-site child care
- Corporate Sponsored vouchers
- Expanded/Flexible Benefits Packages
- Equity Investments

Some other Policy Options

- Tax Credits
- Public/Private Partnerships
- Quality Enhancement
- Creative Financing Programs
- Volunteerism
- Parents

References and Notes

BEST COPY AVAILABLE

References and Notes

- Two of the Three: Keystone Family Growth, Bright Horizons, Inc. and Kinder Kastle Learning Centers. Child Care Market.
- Child Care Financing: Costs, Subsidies and Child Outcomes in Child Care Centers. Public Report, Nineteenth Annual Report. University of Colorado at Denver, April 1989. Cheryl Russell, consultant to the Committee for Economic Development.
- Comparisons: Workfit Work, Underpaid Women, The National Child Care Staffing Study, 1988-1989, Center for the Child Care Workforce.
- Child Care Costs: Packard Foundation, Child Care Action Campaign as reported in The Washington Post, October 22, 1987. New Hampshire estimates for business taxes from observations due to child care problems calculated by taking the estimated New Hampshire child care industry labor force divided by the USA figures. The New Hampshire factor was then applied to the estimated national loss of $8 billion. Fifty percent of the estimated New Hampshire factor was used as the lower bound. Further research would be needed to identify, measure, and forecast the actual losses to New Hampshire. Blau and Hagy. Journal of Political Economy, 1988, Vol. 16B, Washington Post, February 5, 1989 pg. E1.
- Quality: "Child Care: How Does your State Rate?" Working Mother. July/August 1987, pp 39-45. Also, to compare rates and quality, see for example: The Florida Child Care Quality Improvement Study, Families and Work Institute, Workfit Work, Underpaid Women, The Delaware Child Care Staffing Study, 1989-1990, Center for the Child Care Workforce, Sharon Kagan and Nancy Cohen, Not By Chance.
- Corporate involvement: Bright Horizons, Inc. and Kinder Kastle Learning Centers. Entrepreneurial Services Industry, Child Care Market.
- Other Sources: Hope and Trust, Three Initiatives for Young Children and Families (4th Edition, National Center for Children in Poverty, The Future of Children, Financing Child Care, Center for the Future of Children, The Heritage and Lincoln Packard Foundation. "Why Child Care Matters: Preparing Young Children for a More Productive America." A Statement by the Research and Policy Committee of the Committee for Economic Development, 1990.

- Lisa Shapiro, Ph.D., is Chief Economist with the Concord law firm of Gallagher, Callahan & Gartrell. Dr. Shapiro advises businesses on strategic and regulatory matters. She has taught at the Whittemore School, and authored several studies with UNH's Center for Business and Economic Research. She was the leader of the Economic Perspectives Technical Work Group of the New Hampshire Comparative Risk Project and is a member of the Advisory Board of the Amoskeag Business Center for Public Policy. Her recent publications include: *The Economic Impacts of the Community Development Finance Authority Programs; Center for Business and Economic Research; Agriculture and Nitrate Concentrations in Moreland Community Water Systems; The Journal of Environmental Quality; Economic Perspectives on Environmental Risks in New Hampshire; Portland Natural Gas Transmission System: Select Fiscal and Economic Impacts; and Banking on Small Business in New Hampshire.* Dr. Shapiro holds a Ph.D. in economics from the Johns Hopkins University. Bethany A. Shaheen provided extensive research assistance for this report. Ms. Shaheen is a research associate at Gallagher, Callahan & Gartrell. For information, call Gallagher, Callahan & Gartrell at (603) 228-1181 or (800) 528-1181.

- This report is sponsored in cooperation with Provident Financial Corp. Provident committed $5,000,000 to improve the quality and availability of child care in New Hampshire. For more information on Provident's Child Care Initiative, call Kathy Bogle Shields at (603) 225-1000.

BEST COPY AVAILABLE

ISBN 0-16-057474-9